

HOUSE BILL No. 1338

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-1-19; IC 6-1.1; IC 6-2.5-10-1; IC 6-3; IC 6-3.1-20-8; IC 6-3.5; IC 6-8.1-1-1; IC 6-10; IC 12-19-1.5-12; IC 14-23-3-3; IC 15-1.5; IC 36-1-2-7.

Synopsis: Property tax elimination. Beginning January 1, 2009: (1) replaces the state funded homestead credit and the state funded property tax replacement credit with: (A) a property tax replacement credit equal to 100% of the property tax liability imposed on real property other than real property directly or indirectly owned by a corporation or public utility; and (B) a property tax replacement credit for the property tax imposed on corporations and public utilities in an amount that, in the aggregate, is equal to the amount available for property tax relief from the gaming revenue deposited in the property tax reduction trust fund; (2) increases the renter's deduction from adjusted gross income tax; (3) reduces the state adjusted gross income tax to 1.7%; (4) reduces county adjusted income tax, county option income tax, and county economic development income tax rates to eliminate the part of the tax devoted to providing property tax replacement credits and homestead credits; (5) requires a capital project to be reviewed by the county board of tax and capital projects review and submitted to a referendum when the capital project will increase debt by at least \$400 per capita; and (6) prohibits the total of property taxes and income taxes imposed in a county after December 31, 2008, to increase by more than the rate of growth in county income without approval of the voters in a referendum. Transfers duties concerning the review and approval of local taxing unit budgets, tax levies, and tax rates to the county board of tax and capital projects review. Beginning January 1, 2012, exempts real property that is not directly or indirectly owned by a corporation or public utility from property taxation. Requires the imposition of a local income tax to
(Continued next page)

Effective: Upon passage; July 1, 2008; January 1, 2009; July 1, 2009.

Thompson

January 15, 2008, read first time and referred to Committee on Ways and Means.



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replace revenue lost from the granting of property tax property tax replacement credits and exemptions for real property not directly or indirectly owned by a corporation or public utility. Makes other changes. Makes an appropriation.

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Second Regular Session 115th General Assembly (2008)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2007 Regular Session of the General Assembly.

HOUSE BILL No. 1338

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-1-19 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2008]:

4 **Chapter 19. Referendum on Bonds and Capital Leases**

5 **Sec. 1. As used in this chapter, "capital project" means any**
6 **combination of the following by a political subdivision:**

7 (1) **Acquisition or lease of land, buildings, structures, or**
8 **infrastructure.**

9 (2) **Site improvements.**

10 (3) **Infrastructure improvements.**

11 (4) **Construction of buildings or structures.**

12 (5) **Rehabilitation, renovation, or enlargement of buildings or**
13 **structures.**

14 (6) **Acquisition, lease, or improvement of machinery,**
15 **equipment, furnishings, intangible property, or facilities**
16 **required for the operation of buildings, structures, or**
17 **infrastructure.**



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Sec. 2. As used in this chapter, "costs" includes:

- (1) planning and development of a facility and all related buildings, facilities, structures, and improvements;
- (2) acquisition of a site and clearing and preparing the site for construction;
- (3) equipment, facilities, structures, and improvements that are necessary or desirable to make the capital improvement suitable for use and operations;
- (4) architectural, engineering, consultant, and attorney's fees;
- (5) incidental expenses in connection with the issuance and sale of bonds or a preparation and execution of a lease;
- (6) reserves for principal and interest;
- (7) interest on bonds, including interest during construction;
- (8) financial advisory fees;
- (9) insurance during construction;
- (10) municipal bond insurance, debt service reserve insurance, letters of credit, or other credit enhancement; and
- (11) all payments required under a lease;

related to a capital project.

Sec. 3. As used in this chapter, "political subdivision" has the meaning set forth in IC 36-1-2-13.

Sec. 4. As used in this chapter, "special benefit taxes" means a special tax levied and collected on an ad valorem basis on property for the purpose of financing local public improvements that:

- (1) are not political or governmental in nature; and
- (2) are of special benefit to the residents and property of the area.

Sec. 5. As used in this chapter, "taxes" includes special benefit taxes.

Sec. 6. This chapter applies to all capital projects for which the costs payable from taxes are reasonably expected to be equal to or exceed the result of:

- (1) the population of the political subdivision, as determined for the most recent:
 - (A) federal decennial census (as defined in IC 1-1-3.5-2);
 - (B) federal special census;
 - (C) special tabulation (as defined in IC 1-1-3.5-2.5); or
 - (D) corrected population count (as defined in IC 1-1-3.5-1.5);

made publically available before a preliminary determination is made by the political subdivision to engage in the capital project; multiplied by

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(2) four hundred dollars (\$400).

Sec. 7. (a) A political subdivision may not, after December 31, 2008, issue bonds or enter into a lease or other obligations payable in whole or in part from taxes without completing the procedures described in this section.

(b) The proper officers of a political subdivision shall:

(1) publish notice in accordance with IC 5-3-1; and

(2) send notice by first class mail to any organization that delivers to such officers, before January 1 of that year, an annual written request for notices;

of any meeting to consider the adoption of an ordinance or resolution making a determination to issue bonds or enter into a lease.

(c) If the proper officers of a political subdivision adopt an ordinance or resolution pledging taxes imposed under this article to pay debt service on bonds or lease rental payments on a lease, the officers shall give notice of the determination by:

(1) publication in accordance with IC 5-3-1; and

(2) first class mail to the:

(A) organizations described in subsection (b)(2); and

(B) county board of tax and capital projects review.

(d) A notice under subsection (c) of the action of the political subdivision to issue bonds or enter into a lease must include the following information:

(1) The maximum term of the bonds or lease.

(2) The maximum principal amount of the bonds or the maximum lease rental for the lease.

(3) The estimated interest rates that will be paid and the total interest costs associated with the bonds or lease.

(4) The estimated total annual debt service or lease rental payments.

(5) The purpose of the bonds or lease.

(6) A statement that the proposed:

(A) issuance of the bonds; or

(B) execution of the lease;

must be approved in an election on a local public question held under section 9 of this chapter.

(e) A political subdivision that is required to comply with this chapter is not required to comply with IC 6-1.1-20. Bonds and lease obligations that are not approved in a referendum under this chapter may not be issued under IC 6-1.1-20 or any other law.

Sec. 8. The county board of tax and capital projects review shall

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meet not later than five (5) days after receiving notice under section 7(c) of this chapter to determine whether a referendum under section 9 of this chapter should be held at a special election. If the county board of tax and capital projects review determines that the referendum should be held at a special election, the board shall set a date for the special election and notify the county election board of its determination not later than seven (7) days after the county board of tax and capital projects review makes the determination. The county board of tax and capital projects review shall notify the election board if a special election is not required.

Sec. 9. (a) A political subdivision may not issue bonds or execute a lease payable from taxes unless the political subdivision's proposed debt service or lease rental is approved in an election on a local public question held under this section.

(b) The following question shall be submitted to the voters at the election conducted under this section:

"Shall _____ (insert the name of the political subdivision) issue bonds or enter into a lease for a term of _____ years to finance _____ (insert a description of the capital project) with estimated total annual debt service or lease rental payments of _____ (insert estimated payments)?".

(c) The county auditor shall certify the public question described in subsection (b) under IC 3-10-9-3 to the county election board of the county of each county in which the political subdivision is located. After the public question is certified, the public question shall be placed on the ballot at:

(1) a special election on the date set by the county board of tax and capital projects review, at which all voters of the political subdivision are entitled to vote; or

(2) the next election in which all voters of the political subdivision are entitled to vote, if the county board of tax and capital projects review has not set a date for a special election, except in a year in which there is no election, in which case the county election board shall call a special election for the referendum.

(d) The political subdivision proposing to issue bonds or enter into a lease shall pay the costs of a special election.

(e) The circuit court clerk shall certify the results of the public question to the political subdivision in which the referendum was held.

(f) If a majority of the voters voting on the public question vote

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in favor of the public question, the political subdivision may proceed to issue the bonds or execute the lease without any further review or approval.

(g) If less than a majority of the voters voting on the public question vote in favor of the public question, both of the following apply:

(1) The political subdivision may not issue the proposed bonds or enter into the proposed lease rental.

(2) Another public question under this section on the same or a substantially similar project may not be submitted to the voters earlier than one (1) year after the date of the referendum held under this section.

(h) IC 3, to the extent not inconsistent with this section, applies to an election held under this section.

Sec. 10. (a) During the period beginning with the adoption of the ordinance or resolution and continuing through the date on which a referendum is conducted under this chapter, the political subdivision seeking to issue bonds or enter into a lease for a proposed capital project may not promote a position on the referendum by doing any of the following:

(1) Allowing facilities or equipment, including mail and messaging systems, owned or controlled by the political subdivision to be used for public relations purposes to promote a position on the referendum unless equal access to the facilities or equipment is given to persons with a position opposite to that of the political subdivision.

(2) Making an expenditure of money from a fund controlled by the political subdivision to promote a position on the referendum. This subdivision does not prohibit a political subdivision from making an expenditure of money to an attorney, an architect, a construction manager, or a financial adviser for professional services provided with respect to a capital project.

(3) Using an employee to promote a position on a referendum during the employee's normal working hours or paid overtime, or otherwise compelling an employee to promote a position on the referendum at any time.

(4) In the case of a school corporation, promoting a position on a referendum by:

(A) using students to transport written materials to their residences or in any way directly involving students in a school organized promotion of a position; or

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(B) including a statement within another communication sent to the students' residences.

However, this section does not prohibit an employee of the political subdivision from carrying out duties with respect to a referendum that are part of the normal and regular conduct of the employee's office or agency.

(b) The staff and employees of a school corporation may not personally identify a student as the child of a parent or guardian who supports or opposes a referendum under this chapter.

(c) A person or an organization that has a contract or arrangement (whether formal or informal) with a school corporation for the use of any of the school corporation's facilities may not spend any money to promote a position on a referendum under this chapter. A person or an organization that violates this subsection commits a Class A infraction.

(d) An attorney, an architect, a construction manager, or a financial adviser for professional services provided with respect to a capital project may not spend any money to promote a position on a referendum held with regard to the project. A person who violates this subsection:

- (1) commits a Class A infraction; and
- (2) is barred from performing any services with respect to the project.

Sec. 11. A political subdivision may not artificially divide a project to avoid the application of this chapter.

SECTION 2. IC 6-1.1-10-44 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 44. (a) The following definitions apply throughout this section:

- (1) "Dwelling" means any of the following:
 - (A) Residential real property improvements that an individual uses as the individual's residence, including a house or garage.
 - (B) A mobile home, including a manufactured home, that is not assessed as real property that an individual uses as the individual's residence.
- (2) "Homestead" means property that:
 - (A) is the principal place of residence of an individual who, on an assessment date:
 - (i) owns the property;
 - (ii) is buying the property under a contract that is recorded in the county recorder's office and provides

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that the individual is to pay the property taxes on the residence; or

(iii) has a beneficial interest in a trust that owns the property or is buying the property under a contract that is recorded in the county recorder's office and provides that the trust is to pay the property taxes on the residence; and

(B) consists of:

(i) a dwelling; and

(ii) real estate, not exceeding one (1) acre, that immediately surrounds the dwelling and is used by the individual described in clause (A) for residential purposes.

(b) A homestead is exempt from ad valorem property taxes for assessment dates after January 15, 2011.

SECTION 3. IC 6-1.1-10-45 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 45. (a)** As used in this section, "direct or indirect interest" includes the following:

(1) An interest as an owner of property.

(2) A beneficial interest in property resulting from a trust, guardianship, or other fiduciary relationship with an owner of the property.

(3) An ownership or a beneficial interest that through a chain of individuals or entities results in a direct or an indirect ownership or beneficial interest in property.

(b) In addition to any other exemption granted by law, for assessment dates after January 15, 2011, real property is exempt from property taxation if no entity that has a direct or indirect interest in the property is:

(1) a corporation (except a corporation that is exempt from federal adjusted gross income tax under Section 1363 of the Internal Revenue Code and complies with the requirements of IC 6-3-4-13);

(2) a public utility company (as defined in IC 6-1.1-8-2);

(3) a trust that is not required by a trust agreement to distribute one hundred percent (100%) of its income to individuals who are beneficiaries of the trust; or

(4) an entity that is taxed as a corporation for purposes of federal adjusted gross income tax.

SECTION 4. IC 6-1.1-11-3.6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS

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[EFFECTIVE JULY 1, 2008]: Sec. 3.6. (a) As used in this section, "homestead" has the meaning set forth in IC 6-1.1-10-44.

(b) An individual who:

(1) is eligible for a homestead credit under IC 6-1.1-20.9 for property taxes imposed for the March 1, 2010, or January 15, 2011, assessment date; and

(2) would be eligible for a homestead exemption under IC 6-1.1-10-44 for an assessment date after January 15, 2011, if the individual filed for the exemption under this chapter; is entitled to the exemption under IC 6-1.1-10-44 without filing an exemption application under section 3 of this chapter. A county auditor shall provide a procedure to apply the exemption to property without the filing of an application.

(c) An individual who:

(1) was not eligible for a homestead credit under IC 6-1.1-20.9 for property taxes imposed for the March 1, 2010, or January 15, 2011, assessment date; but

(2) would be eligible for a homestead exemption under IC 6-1.1-10-44 for an assessment date after January 15, 2011, if the individual filed for the exemption under this chapter; is required to file for the exemption under section 3 of this chapter only one (1) time for the initial year in which the exemption will apply.

(d) After an exemption is initially applied to a homestead, the auditor of the county in which the homestead is located shall apply the homestead exemption under IC 6-1.1-10-44 to the homestead in each subsequent year until the property tax assessment board of appeals determines that the individual is no longer eligible for the exemption or the county auditor receives a notice of ineligibility under subsection (e).

(e) An individual who receives an exemption provided under IC 6-1.1-10-44 for a particular year and whose property becomes ineligible for the exemption for the following year shall notify the assessor of the county in which the tangible property for which the individual claims the exemption is located of the ineligibility of the tangible property not later than seventy-five (75) days after the first assessment date on which the tangible property becomes ineligible for the exemption. The county assessor shall immediately notify the county auditor of the disqualification of the property for the exemption. An individual who fails to provide the notification required by this subsection is subject to the penalties set forth in IC 6-1.1-37-9.

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1 (f) The department of local government finance or a county
2 auditor may at any time review an exemption granted to a
3 homestead to determine whether or not the homestead is eligible
4 for the exemption.

5 SECTION 5. IC 6-1.1-11-3.7 IS ADDED TO THE INDIANA
6 CODE AS A NEW SECTION TO READ AS FOLLOWS
7 [EFFECTIVE JULY 1, 2008]: Sec. 3.7. (a) An individual or entity
8 that would be eligible for a real property exemption under
9 IC 6-1.1-10-45 for an assessment date after January 15, 2011, if the
10 individual or entity filed for the exemption under this chapter, is
11 required to file for the exemption under section 3 of this chapter
12 only one (1) time for the initial year in which the exemption will
13 apply.

14 (b) After an exemption initially is applied to a real property, the
15 auditor of the county in which the real property is located shall
16 apply the real property exemption under IC 6-1.1-10-45 to the real
17 property in each subsequent year until the property tax assessment
18 board of appeals determines that the individual or entity is no
19 longer eligible for the exemption or the county auditor receives a
20 notice of ineligibility under subsection (c).

21 (c) An individual or entity that receives an exemption provided
22 under IC 6-1.1-10-45 for a particular year and whose property
23 becomes ineligible for the exemption for the following year shall
24 notify the assessor of the county in which the tangible property for
25 which the individual or entity claims the exemption is located of the
26 ineligibility of the real property not later than seventy-five (75)
27 days after the first assessment date for which the real property was
28 ineligible for the exemption. The county assessor shall immediately
29 notify the county auditor of the disqualification of the property for
30 the exemption. An individual or entity that fails to provide the
31 notification required by this subsection is subject to the penalties
32 set forth in IC 6-1.1-37-9.

33 (d) The department of local government finance or a county
34 auditor may at any time review an exemption granted to a real
35 property to determine whether or not the real property is eligible
36 for the exemption.

37 SECTION 6. IC 6-1.1-12-37, AS AMENDED BY P.L.224-2007,
38 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
39 JULY 1, 2008]: Sec. 37. (a) Each year a person who is entitled to
40 receive the homestead credit provided under IC 6-1.1-20.9 for property
41 taxes payable in the following year is entitled to a standard deduction
42 from the assessed value of the real property, mobile home not assessed

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as real property, or manufactured home not assessed as real property that qualifies for the homestead credit. The auditor of the county shall record and make the deduction for the person qualifying for the deduction.

(b) Except as provided in section 40.5 of this chapter, the total amount of the deduction that a person may receive under this section for a particular year is the lesser of:

(1) one-half (1/2) of the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property; or

(2) for property taxes first due and payable:

(A) before January 1, 2007, thirty-five thousand dollars (\$35,000);

(B) after December 31, 2006, and before January 1, 2009, forty-five thousand dollars (\$45,000);

(C) after December 31, 2008, and before January 1, 2010, forty-four thousand dollars (\$44,000);

(D) after December 31, 2009, and before January 1, 2011, forty-three thousand dollars (\$43,000);

(E) after December 31, 2010, and before January 1, 2012, forty-two thousand dollars (\$42,000);

(F) after December 31, 2011, and before January 1, 2013, forty-one thousand dollars (\$41,000); and

(G) after December 31, 2012, forty thousand dollars (\$40,000).

(c) A person who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim the deduction provided under this section with respect to that real property, mobile home, or manufactured home.

(d) This section expires January 1, 2012.

SECTION 7. IC 6-1.1-17-3, AS AMENDED BY P.L.219-2007, SECTION 49, AND AS AMENDED BY P.L.224-2007, SECTION 5, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 3. (a) The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

(1) the estimated budget;

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- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; and
- (4) the amounts of excessive levy appeals to be requested.

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing. Beginning in 2009, the duties required by this subsection must be completed before August 10 of the calendar year. A political subdivision shall provide the estimated budget and levy information required for the notice under subsection (b) to the county auditor on the schedule determined by the department of local government finance.

(b) Beginning in 2009, before August 10 of a calendar year, the county auditor shall mail to the last known address of each person liable for any property taxes, as shown on the tax duplicate, or to the last known address of the most recent owner shown in the transfer book, a statement that includes:

- (1) the assessed valuation as of the assessment date in the current calendar year of tangible property on which the person will be liable for property taxes first due and payable in the immediately succeeding calendar year and notice to the person of the opportunity to appeal the assessed valuation under ~~IC 6-1.1-15-1(b)~~; IC 6-1.1-15-1(c);

- (2) the amount of property taxes for which the person will be liable to each political subdivision on the tangible property for taxes first due and payable in the immediately succeeding calendar year, taking into account all factors that affect that liability, including:

- (A) the estimated budget and proposed tax rate and tax levy formulated by the political subdivision under subsection (a);
- (B) any deductions or exemptions that apply to the assessed valuation of the tangible property;
- (C) any credits that apply in the determination of the tax liability; and
- (D) the county auditor's best estimate of the effects on the tax liability that might result from actions of:

- (i) ~~the county board of tax adjustment (before January 1, 2009) or the county board of tax and capital projects review; (after December 31, 2008);~~ or
- (ii) the department of local government finance;

- (3) a prominently displayed notation that:

- (A) the estimate under subdivision (2) is based on the best

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information available at the time the statement is mailed; and

(B) based on various factors, including potential actions by:

(i) ~~the county board of tax adjustment (before January 1, 2009) or the county board of tax and capital projects review; (after December 31, 2008);~~ or

(ii) the department of local government finance;

it is possible that the tax liability as finally determined will differ substantially from the estimate;

(4) comparative information showing the amount of property taxes for which the person is liable to each political subdivision on the tangible property for taxes first due and payable in the current year; ~~and~~

(5) the date, time, and place at which the political subdivision will hold a public hearing on the political subdivision's estimated budget and proposed tax rate and tax levy as required under subsection (a); ~~and~~

(6) if:

(A) **for budget years beginning before January 1, 2012, the property is a dwelling (as defined in IC 6-1.1-20.9-1) or property surrounding a dwelling (as defined in IC 6-1.1-20.9-1) and the homestead credit granted under IC 6-1.1-20.9 is not shown as an applicable credit, the notation in bold face type that "This property is not currently receiving a homestead credit.";** and

(B) **for budget years beginning after December 31, 2011, the exemption under IC 6-1.1-10-44 is not shown as an applicable deduction, the notation in bold type that "This property is not currently receiving a property tax exemption."**

(c) The department of local government finance shall:

(1) prescribe a form for; and

(2) provide assistance to county auditors in preparing; statements under subsection (b). Mailing the statement described in subsection (b) to a mortgagee maintaining an escrow account for a person who is liable for any property taxes shall not be construed as compliance with subsection (b).

(d) The board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal) may conduct the public hearing required under subsection (a):

(1) in any county of the solid waste management district; and

(2) in accordance with the annual notice of meetings published under IC 13-21-5-2.

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(e) The trustee of each township in the county shall estimate the amount necessary to meet the cost of township assistance in the township for the ensuing calendar year. The township board shall adopt with the township budget a tax rate sufficient to meet the estimated cost of township assistance. The taxes collected as a result of the tax rate adopted under this subsection are credited to the township assistance fund.

(f) A county shall adopt with the county budget and the department of local government finance shall certify under section 16 of this chapter a tax rate sufficient to raise the levy necessary to pay the following:

(1) The cost of child services (as defined in IC 12-19-7-1) of the county payable from the family and children's fund.

(2) The cost of children's psychiatric residential treatment services (as defined in IC 12-19-7.5-1) of the county payable from the children's psychiatric residential treatment services fund.

A budget, tax rate, or tax levy adopted by a county fiscal body or approved or modified by a county board of tax **adjustment and capital projects review** that is less than the levy necessary to pay the costs described in subdivision (1) or (2) shall not be treated as a final budget, tax rate, or tax levy under section 11 of this chapter.

SECTION 8. IC 6-1.1-17-6, AS AMENDED BY P.L.224-2007, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 6. (a) The ~~county board of tax adjustment (before January 1, 2009) or the~~ county board of tax and capital projects review ~~(after December 31, 2008)~~ shall review the budget, tax rate, and tax levy of each political subdivision filed with the county auditor under section 5 or 5.6 of this chapter. The board shall revise, ~~or reduce, but not~~ **or increase, as necessary**, any budget, tax rate, or tax levy in order:

(1) to limit the **property** tax rate to the maximum amount permitted under IC 6-1.1-18; ~~and~~

(2) to limit the budget to the amount of revenue to be available in the ensuing budget year for the political subdivision;

(3) to ensure that political subdivisions do not exceed the property tax levy limitations imposed under IC 6-1.1-18.5; or

(4) to ensure that political subdivisions, individually and in the aggregate, do not exceed the spending limits imposed for budget years beginning after December 31, 2009.

(b) The ~~county board of tax adjustment (before January 1, 2009) or the~~ county board of tax and capital projects review ~~(after December 31, 2008)~~ **shall may** make a revision or reduction in a political subdivision's budget only with respect to the total amounts budgeted for

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each office or department within each of the major budget classifications prescribed by the state board of accounts.

(c) When the ~~county board of tax adjustment (before January 1, 2009)~~ or the county board of tax and capital projects review ~~(after December 31, 2008)~~ makes a revision or reduction in a budget, tax rate, or tax levy, it shall file with the county auditor a written order which indicates the action taken. If the board reduces the budget, it shall also indicate the reason for the reduction in the order. The chairman of the county board shall sign the order. **For budget years beginning after December 31, 2009, the determination of the county board is subject to the referendum procedures under section 22 of this chapter.**

SECTION 9. IC 6-1.1-17-7, AS AMENDED BY P.L.224-2007, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 7. If the boundaries of a political subdivision cross one (1) or more county lines, the budget, tax levy, and tax rate fixed by the political subdivision shall be filed with the county auditor of each affected county in the manner prescribed in section 5 or 5.6 of this chapter. ~~The board of tax adjustment~~ **county board of tax and capital projects review** of the county which contains the largest portion of the value of property taxable by the political subdivision, as determined from the abstracts of taxable values last filed with the auditor of state, has jurisdiction over the budget, tax rate, and tax levy to the same extent as if the property taxable by the political subdivision were wholly within the county. The secretary of the ~~county board of tax adjustment (before January 1, 2009)~~ or the county board of tax and capital projects review ~~(after December 31, 2008)~~ shall notify the county auditor of each affected county of the action of the board. ~~Appeals from actions of the county board of tax adjustment (before January 1, 2009) or the county board of tax and capital projects review (after December 31, 2008) may be initiated in any affected county.~~ **For budget years beginning after December 31, 2009, the determination of the county board is subject to the referendum procedures under section 22 of this chapter.**

SECTION 10. IC 6-1.1-17-8, AS AMENDED BY P.L.224-2007, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 8. (a) If the ~~county board of tax adjustment (before January 1, 2009)~~ or the county board of tax and capital projects review ~~(after December 31, 2008)~~ determines that the maximum aggregate tax rate permitted within a political subdivision under IC 6-1.1-18 is inadequate, the county board shall, subject to the limitations prescribed in IC 20-45-4, file its written ~~recommendations~~ **determination** in

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duplicate with the county auditor. The board shall include with its ~~recommendations:~~ **determination:**

- (1) an analysis of the aggregate tax rate within the political subdivision;
- (2) a recommended breakdown of the aggregate tax rate among the political subdivisions whose tax rates compose the aggregate tax rate within the political subdivision; and
- (3) any other information that the county board considers relevant to the matter.

(b) The county auditor shall forward one (1) copy of the county board's ~~recommendations~~ **determination** to the department of local government finance and shall retain the other copy in the county auditor's office. ~~The department of local government finance shall, in the manner prescribed in section 16 of this chapter, review the budgets by fund; tax rates; and tax levies of the political subdivisions described in subsection (a)(2). For budget years beginning after December 31, 2009, the determination of the county board is subject to the referendum procedures under section 22 of this chapter.~~

SECTION 11. IC 6-1.1-17-11, AS AMENDED BY P.L.224-2007, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 11. A budget, tax rate, or tax levy of a political subdivision, as approved or modified by the ~~county board of tax adjustment (before January 1, 2009) or the county board of tax and capital projects review (after December 31, 2008);~~ is final. ~~unless:~~

- (1) ~~action is taken by the county auditor in the manner provided under section 9 of this chapter;~~
- (2) ~~the action of the county board is subject to review by the department of local government finance under section 8 or 10 of this chapter; or~~
- (3) ~~an appeal to the department of local government finance is initiated with respect to the budget; tax rate; or tax levy.~~

SECTION 12. IC 6-1.1-17-12, AS AMENDED BY P.L.224-2007, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 12. As soon as the budgets, tax rates, and tax levies are approved or modified by the ~~county board of tax adjustment (before January 1, 2009) or the county board of tax and capital projects review (after December 31, 2008);~~ the county auditor shall within fifteen (15) days prepare a notice of the tax rates to be charged on each one hundred dollars (\$100) of assessed valuation for the various funds in each taxing district. **For budget years ending before January 1, 2010,** the notice shall also inform the taxpayers of the manner in which they may initiate an appeal of the county board's action. The county

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auditor shall post the notice at the county courthouse and publish it in two (2) newspapers which represent different political parties and which have a general circulation in the county.

SECTION 13. IC 6-1.1-17-16.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 16.5. This section applies in each case in which the department of local government finance **or the county board of tax and capital projects review** has the power to approve or disapprove the tax levy for a cumulative building or sinking fund proposed to be established by a political subdivision. The department **or the county board of tax and capital projects review** may:

- (1) approve the tax levy;
- (2) disapprove the tax levy; or
- (3) modify the tax levy by approving it at any amount less than the tax levy proposed to be established.

SECTION 14. IC 6-1.1-17-16.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 16.7. (a) A political subdivision that ~~in any year~~ adopts a proposal to establish a cumulative fund or sinking fund under any of the following provisions must submit the proposal to the department of local government finance **for budget years beginning before January 1, 2010, and the county board of tax and capital projects review for budget years beginning after December 31, 2009,** before August 2 ~~of that immediately preceding the budget year~~:

- IC 3-11-6
- IC 8-10-5
- IC 8-16-3
- IC 8-16-3.1
- IC 8-22-3
- IC 14-27-6
- IC 14-33-21
- IC 16-22-5
- IC 16-22-8
- IC 36-8-14
- IC 36-9-4
- IC 36-9-14
- IC 36-9-14.5
- IC 36-9-15
- IC 36-9-15.5
- IC 36-9-16
- IC 36-9-17
- IC 36-9-26

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1 IC 36-9-27

2 IC 36-10-3

3 IC 36-10-4

4 IC 36-10-7.5

5 (b) If a proposal described in subsection (a) is not submitted to the
6 department of local government finance **for budget years beginning**
7 **before January 1, 2010, and the county board of tax and capital**
8 **projects review for budget years beginning after December 31,**
9 **2009,** before August 2 of a immediately preceding the budget year,
10 the political subdivision may not levy a tax for the cumulative fund or
11 sinking fund in the ensuing year.

12 SECTION 15. IC 6-1.1-17-17, AS AMENDED BY P.L.2-2006,
13 SECTION 39, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14 JULY 1, 2009]: Sec. 17. Subject to the limitations contained in
15 IC 6-1.1-19, IC 6-1.1-18.5, IC 20-45, and IC 20-46, the department of
16 local government finance **for budget years beginning before January**
17 **1, 2010, and the county board of tax and capital projects review for**
18 **budget years beginning after December 31, 2009,** may at any time
19 increase the tax rate and tax levy of a political subdivision for the
20 following reasons:

21 (1) To pay the principal or interest upon a funding, refunding, or
22 judgment funding obligation of a political subdivision.

23 (2) To pay the interest or principal upon an outstanding obligation
24 of the political subdivision.

25 (3) To pay a judgment rendered against the political subdivision.

26 (4) To pay lease rentals that have become an obligation of the
27 political subdivision under IC 20-47-2 or IC 20-47-3.

28 SECTION 16. IC 6-1.1-17-22 IS ADDED TO THE INDIANA
29 CODE AS A NEW SECTION TO READ AS FOLLOWS
30 [EFFECTIVE JULY 1, 2009]: Sec. 22. (a) **This section applies**
31 **whenever a law requires the approval of the voters in a**
32 **referendum to change a tax limit for a budget year beginning after**
33 **December 31, 2009.**

34 (b) **A public question described in subsection (e) shall be**
35 **submitted to the voters of the area that would be affected by a tax**
36 **increase needed to fund a change in a tax limit.**

37 (c) **The referendum shall be held at the next general or**
38 **municipal election in which an election would regularly be held in**
39 **the entire area where voters will vote on the public question.**
40 **However, the referendum shall be held in a special election at the**
41 **time designated by the county board if:**

42 (1) **each political subdivision whose political subdivision's**

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maximum permissible expenditure limit or political subdivision's maximum permissible property tax levy limit is affected by the proposed limit change requests the county board to conduct a special election and agrees to pay the costs of the special election; and

(2) the county board approves a special election.

(d) The county board shall notify the county auditor of the need for a referendum. The notice must contain at least the following information:

(1) A description of the area in which the referendum is to be conducted.

(2) The text of the public question to be submitted to the voters.

(3) Whether a special election is to be conducted for the public question.

(e) The public question shall be substantially in the following form:

"In order to keep the county within the tax and spending limits provided by state law, the county board of tax and capital projects review has [reduced] [denied] (insert appropriate action) affecting the [budget] [tax rate] [tax levy] of _____ (insert the name of the political subdivision). The estimated property tax rate impact is _____. The estimated county _____ income tax rate impact is _____. Should the action of the county board be approved?"

(f) The county auditor shall publish notice of the proposed referendum within seven (7) days after receipt of the notice from the political subdivision, two (2) times, at least one (1) week apart, in accordance with IC 5-3-1.

(g) The county auditor shall certify the public question under IC 3-10-9-3 to the county election board of the county where the voters will consider the public question within five (5) days after receipt of the notice from the county board.

(h) IC 3 applies to the election to the extent that IC 3 is not in conflict with this chapter.

(i) The circuit court clerk shall certify the results of the public question to the following:

(1) The executive and fiscal body of each political subdivision for which the referendum was held.

(2) The county auditor of each county in which the political subdivision is located.

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(j) If a majority of the voters voting on the public question vote in favor of the public question, the action of the county board is approved.

(k) If less than a majority of the voters voting on the public question vote in favor of the public question, the action of the county board is voided.

(l) The political subdivisions for whom a special election is conducted under this section shall pay the costs of the special election.

SECTION 17. IC 6-1.1-17-23 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: **Sec. 23. Sections 8.5, 9, 10, 13, 14, 15, and 16 of this chapter apply only to budget years ending before January 1, 2010.**

SECTION 18. IC 6-1.1-18-2, AS AMENDED BY P.L.224-2007, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 2. ~~The state may not impose a tax rate on tangible property in excess of thirty-three hundredths of one cent (\$0.0033) on each one hundred dollars (\$100) of assessed valuation. The state tax rate is not subject to review by county boards of tax adjustment (before January 1, 2009); county boards of tax and capital projects review (after December 31, 2008); or county auditors.~~ This section does not apply to political subdivisions of the state. **Subject to IC 4-9.1-1-8, the state may not impose an ad valorem property tax on tangible property after December 31, 2008.**

SECTION 19. IC 6-1.1-18-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 5. (a) If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b).

(b) If the additional appropriation by the political subdivision is made from a fund that receives:

(1) distributions from the motor vehicle highway account established under IC 8-14-1-1 or the local road and street account established under IC 8-14-2-4; or

(2) revenue from property taxes levied under IC 6-1.1;

the political subdivision must report the additional appropriation to the department of local government finance **for budget years ending before January 1, 2010, and the county board of tax and capital**

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1 **projects review for budget years beginning after December 31,**
 2 **2009.** If the additional appropriation is made from a fund described
 3 under this subsection, subsections (f), (g), (h), and (i) apply to the
 4 political subdivision.

5 (c) However, if the additional appropriation is not made from a fund
 6 described under subsection (b), subsections (f), (g), (h), and (i) do not
 7 apply to the political subdivision. Subsections (f), (g), (h), and (i) do
 8 not apply to an additional appropriation made from the cumulative
 9 bridge fund if the appropriation meets the requirements under
 10 IC 8-16-3-3(c).

11 (d) A political subdivision may make an additional appropriation
 12 without approval of the department of local government finance **for**
 13 **budget years ending before January 1, 2010, and the county board**
 14 **of tax and capital projects review for budget years beginning after**
 15 **December 31, 2009,** if the additional appropriation is made from a
 16 fund that is not described under subsection (b). However, the fiscal
 17 officer of the political subdivision shall report the additional
 18 appropriation to the department of local government finance **for**
 19 **budget years ending before January 1, 2010, and the county board**
 20 **of tax and capital projects review for budget years beginning after**
 21 **December 31, 2009.**

22 (e) After the public hearing, the proper officers of the political
 23 subdivision shall file a certified copy of their final proposal and any
 24 other relevant information to the department of local government
 25 finance **for budget years ending before January 1, 2010, and the**
 26 **county board of tax and capital projects review for budget years**
 27 **beginning after December 31, 2009.**

28 (f) When the department of local government finance **for budget**
 29 **years ending before January 1, 2010, and the county board of tax**
 30 **and capital projects review for budget years beginning after**
 31 **December 31, 2009,** receives a certified copy of a proposal for an
 32 additional appropriation under subsection (e), the department shall
 33 determine whether sufficient funds are available or will be available for
 34 the proposal. The determination shall be made in writing and sent to
 35 the political subdivision not more than fifteen (15) days after the
 36 department of local government finance **for budget years ending**
 37 **before January 1, 2010, and the county board of tax and capital**
 38 **projects review for budget years beginning after December 31,**
 39 **2009,** receives the proposal.

40 (g) In making the determination under subsection (f), the
 41 department of local government finance **for budget years ending**
 42 **before January 1, 2010, and the county board of tax and capital**

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1 **projects review for budget years beginning after December 31,**
 2 **2009,** shall limit the amount of the additional appropriation to revenues
 3 available, or to be made available, which have not been previously
 4 appropriated.

5 (h) If the department of local government finance **for budget years**
 6 **ending before January 1, 2010, and the county board of tax and**
 7 **capital projects review for budget years beginning after December**
 8 **31, 2009,** disapproves an additional appropriation under subsection (f),
 9 the department of local government finance **for budget years ending**
 10 **before January 1, 2010, and the county board of tax and capital**
 11 **projects review for budget years beginning after December 31,**
 12 **2009,** shall specify the reason for its disapproval on the determination
 13 sent to the political subdivision. **The determination of the county**
 14 **board is final.**

15 (i) A political subdivision may request a reconsideration of a
 16 determination of the department of local government finance **for**
 17 **budget years ending before January 1, 2010, and the county board**
 18 **of tax and capital projects review for budget years beginning after**
 19 **December 31, 2009,** under this section. **For budget years ending**
 20 **before January 1, 2010, the request may be made** by filing a written
 21 request for reconsideration. A request for reconsideration must:

22 (1) be filed with the department of local government finance
 23 within fifteen (15) days of the receipt of the determination by the
 24 political subdivision; and

25 (2) state with reasonable specificity the reason for the request.

26 The department of local government finance must act on a request for
 27 reconsideration within fifteen (15) days of receiving the request. **For**
 28 **budget years beginning after December 31, 2009, the request shall**
 29 **be made in the manner specified by the county board.**

30 SECTION 20. IC 6-1.1-18.5-22 IS ADDED TO THE INDIANA
 31 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 32 [EFFECTIVE JULY 1, 2008]: **Sec. 22. This chapter expires January**
 33 **1, 2009.**

34 SECTION 21. IC 6-1.1-19-14 IS ADDED TO THE INDIANA
 35 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 36 [EFFECTIVE JULY 1, 2008]: **Sec. 14. This chapter expires January**
 37 **1, 2009.**

38 SECTION 22. IC 6-1.1-20.4-10 IS ADDED TO THE INDIANA
 39 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 40 [EFFECTIVE JULY 1, 2008]: **Sec. 10. This chapter expires January**
 41 **1, 2012.**

42 SECTION 23. IC 6-1.1-20.9-7 IS ADDED TO THE INDIANA

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CODE AS A **NEW** SECTION TO READ AS FOLLOWS
[EFFECTIVE JULY 1, 2008]: **Sec. 7. This chapter expires January 1, 2009.**

SECTION 24. IC 6-1.1-21-13 IS ADDED TO THE INDIANA
CODE AS A **NEW** SECTION TO READ AS FOLLOWS
[EFFECTIVE JULY 1, 2008]: **Sec. 13. This chapter expires January 1, 2009.**

SECTION 25. IC 6-1.1-21.2-16 IS ADDED TO THE INDIANA
CODE AS A **NEW** SECTION TO READ AS FOLLOWS
[EFFECTIVE JULY 1, 2008]: **Sec. 16. This chapter expires January 1, 2009.**

SECTION 26. IC 6-1.1-29-4, AS AMENDED BY P.L.224-2007,
SECTION 46, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
JULY 1, 2009]: Sec. 4. (a) ~~Except as provided in subsection (b), Each~~
~~county board of tax adjustment (before January 1, 2009) or county~~
~~board of tax and capital projects review, (after December 31, 2008),~~
except the board for a consolidated city and county and for a county
containing a second class city, shall hold its first meeting of each year
for the purpose of reviewing budgets, tax rates, and levies on
September 22 or on the first business day after September 22, if
September 22 is not a business day. The board for a consolidated city
and county and for a county containing a second class city shall hold
its first meeting of each year for the purpose of reviewing budgets, tax
rates, and levies on the first Wednesday following the adoption of city
and county budget, tax rate, and tax levy ordinances. The board shall
hold the meeting at the office of the county auditor. At the first meeting
of each year, the board shall elect a chairman and a vice-chairman.
After this meeting, the board shall continue to meet from day to day at
any convenient place until its business is completed. ~~However, the~~
~~board must, except as provided in subsection (b), complete its duties~~
~~on or before the date prescribed in IC 6-1.1-17-9(a).~~

(b) This section does not limit the ability of the county board of tax
and capital projects review to meet after December 31, 2008, at any
time during a year to carry out its duties under IC 6-1.1-29.5.

SECTION 27. IC 6-1.1-29-9, AS AMENDED BY P.L.224-2007,
SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
UPON PASSAGE]: Sec. 9. (a) This subsection expires December 31,
2008. A county council may adopt an ordinance to abolish the county
board of tax adjustment. This ordinance must be adopted by July 1 and
may not be rescinded in the year it is adopted. Notwithstanding
IC 6-1.1-17, IC 6-1.1-18, IC 20-45, IC 20-46, IC 12-19-7, IC 12-19-7.5,
IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4,

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and IC 36-9-13, if such an ordinance is adopted, this section governs the treatment of tax rates, tax levies, and budgets that would otherwise be reviewed by a county board of tax adjustment under IC 6-1.1-17.

(b) This subsection applies after December 31, 2008. Subject to subsection (c), a county board of tax and capital projects review may not review or modify tax rates, tax levies, and budgets if the county council:

(1) adopts an ordinance to abolish the county board of tax adjustment before January 1, 2009; or

(2) adopts an ordinance before July 2 of any year to prohibit the county board of tax and capital projects review from carrying out such reviews.

An ordinance described in this subsection may not be rescinded in the year it is adopted. Notwithstanding IC 6-1.1-17, IC 6-1.1-18, IC 8-18-21-13, IC 12-19-7, IC 12-19-7.5, IC 14-30-2-19, IC 14-30-4-16, IC 14-33-9-1, IC 20-45, IC 20-46, IC 36-7-15.1-26.9, IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4, and IC 36-9-13, if such an ordinance is adopted and has not been rescinded, this section governs the treatment of tax rates, tax levies, and budgets that would otherwise be reviewed by a county board of tax and capital projects review. If an ordinance described in subdivision (1) or (2) has been adopted in a county and has not been rescinded, the county board of tax and capital projects review may not review tax rates, tax levies, and budgets (other than for capital projects) under IC 6-1.1-17-3, IC 6-1.1-17-5, IC 6-1.1-17-5.6, IC 6-1.1-17-6, IC 6-1.1-17-7, IC 6-1.1-17-9, IC 6-1.1-17-10, IC 6-1.1-17-11, IC 6-1.1-17-12, IC 6-1.1-17-14, IC 6-1.1-17-15, IC 6-1.1-29-4(a), IC 8-18-21-13, IC 12-19-7, IC 12-19-7.5, IC 14-30-2-19, IC 14-30-4-16, IC 14-33-9-1, IC 20-45, IC 20-46, IC 36-7-15.1-26.9, IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4, or IC 36-9-13.

(c) The time requirements set forth in IC 6-1.1-17 govern all filings and notices.

(d) If an ordinance described in subsection (a) or (b) is adopted and has not been rescinded, a tax rate, tax levy, or budget that otherwise would be reviewed by the county board of tax adjustment (before January 1, 2009) or the county board of tax and capital projects review (after December 31, 2008) is considered and must be treated for all purposes as if the county board of tax adjustment approved the tax rate, tax levy, or budget. This includes the notice of tax rates that is required under IC 6-1.1-17-12.

(e) This section does not prohibit a county board of tax and capital

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projects review from reviewing tax rates, tax levies, and budgets for informational purposes as necessary to carry out its duties under ~~IC 6-1.1-29.5~~.

(d) This section applies to a budget year beginning after December 31, 2009. A county board of tax and capital projects review shall review the budgets, tax rates, and tax levies of each political subdivision in the county and the tax rates imposed under this article or IC 6-10 to determine that taxes imposed in the county do not exceed the taxation limitations imposed by this article or IC 6-10. A county board of tax and capital projects review may decrease any major budget category or any tax rate or tax levy imposed in the county to comply with the limits in this article or IC 6-10.

SECTION 28. IC 6-1.1-29.5-0.5, AS ADDED BY P.L.224-2007, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 0.5. This chapter applies:

(1) before January 1, 2009, only to a capital project that meets both of the following conditions:

(1) (A) The capital project is a controlled project (as defined in IC 6-1.1-20-1.1), except as provided in subdivision (2) clause (B).

(2) (B) Notwithstanding IC 6-1.1-20-1.1(2), the capital project will cost the political subdivision more than seven million dollars (\$7,000,000); and

(2) after December 31, 2008, to any capital project for which a political subdivision is reasonably likely to issue debt service obligations (as defined in IC 6-1.1-47-9) that, in the aggregate, will equal or exceed the result of:

(A) the population of the political subdivision, as determined for the most recent:

(i) federal decennial census (as defined in IC 1-1-3.5-2);

(ii) federal special census;

(iii) special tabulation (as defined in IC 1-1-3.5-2.5); or

(iv) corrected population count (as defined in IC 1-1-3.5-1.5);

made publically available before a preliminary determination is made by the political subdivision to engage in the capital project; multiplied by

(B) four hundred dollars (\$400).

SECTION 29. IC 6-1.1-29.5-14, AS ADDED BY P.L.224-2007, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 14. (a) This subsection applies only to a capital

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project to which IC 5-1-19 does not apply. If the review board disapproves a capital project under section 13 of this chapter, the political subdivision that proposed the project may take any action under section 10(a)(2) of this chapter with regard to the capital project if:

(1) not more than sixty (60) days after the review board's disapproval, the political subdivision initiates the petition and remonstrance process under IC 6-1.1-20-3.4; and

(2) the capital project is approved in the petition and remonstrance process under IC 6-1.1-20.

(b) This subsection applies to a capital project to which IC 5-1-19 applies. Regardless of whether the review board approves or disapproves a capital project under section 13 of this chapter, the political subdivision that proposed the project may take an action under section 10(a)(2) of this chapter with regard to the capital project only if:

(1) not more than sixty (60) days after the review board's approval or disapproval, the political subdivision initiates a referendum process under IC 5-1-19; and

(2) the capital project is approved in the referendum under IC 5-1-19.

SECTION 30. IC 6-1.1-46 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 46. Corporate and Public Utility Property Tax Replacement Credit

Sec. 1. This chapter applies only to property taxes imposed for an assessment date after January 15, 2008.

Sec. 2. As used in this chapter, "board" refers to the property tax replacement board established by section 7 of this chapter.

Sec. 3. As used in this chapter, "credit" refers to the credit granted by this chapter.

Sec. 4. As used in this chapter, "department" refers to the department of state revenue.

Sec. 5. As used in this chapter, "distribution" refers to a distribution under this chapter to replace the revenue lost to a taxing unit as a result of the granting of credits.

Sec. 6. As used in this chapter, "fund", for the purposes of:

(1) this chapter, except section 20 of this chapter, refers to the property tax reduction trust fund established by IC 4-35-8-2; and

(2) section 20 of this chapter, refers to a fund of a taxing unit.

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1 **Sec. 7. (a) The property tax replacement board is established.**

2 **(b) The board consists of the following members:**

3 **(1) The commissioner of the department.**

4 **(2) The commissioner of the department of local government**
5 **finance.**

6 **(3) The director of the budget agency.**

7 **(4) Two (2) ex officio, nonvoting representatives of the general**
8 **assembly.**

9 **(c) The speaker of the house of representatives shall appoint one**
10 **(1) member of the house as an ex officio, nonvoting representative,**
11 **and the president pro tempore of the senate shall appoint one (1)**
12 **senator as the other ex officio, nonvoting representative, each to**
13 **serve at the will of the appointing officer.**

14 **(d) The commissioner of the department shall be the**
15 **chairperson of the board. The director of the budget agency shall**
16 **be the secretary of the board.**

17 **Sec. 8. An owner of property that is subject to property taxation**
18 **on an assessment date is entitled to a credit against the total**
19 **property tax liability imposed against the property for the**
20 **assessment date.**

21 **Sec. 9. The county auditor shall apply a credit to the property**
22 **tax liability imposed on property without requiring an owner to file**
23 **an application for the credit.**

24 **Sec. 10. The amount of the credit for property located in a**
25 **particular county is equal to the result of:**

26 **(1) the total property tax liability imposed on the property**
27 **after the application of all deductions against the assessed**
28 **value of the property; multiplied by**

29 **(2) a percentage determined by the board.**

30 **Sec. 11. For each year in which a distribution will be made, the**
31 **board shall establish for each county a credit percentage that is to**
32 **be used in the county. The board shall set the credit percentage at**
33 **the percentage that will result in the granting of credits in the year**
34 **in an amount that will not exceed the amount available from the**
35 **fund for the purposes of replacing property tax revenue lost to**
36 **taxing units as the result of the credit, as determined by the budget**
37 **agency. The board shall determine the credit percentage to be used**
38 **in a year using the best information available at the time the credit**
39 **percentage is computed.**

40 **Sec. 12. The department shall certify the credit percentage to be**
41 **used in a year to each county auditor.**

42 **Sec. 13. The department, on behalf of the board, shall distribute**

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1 to taxing units the amount necessary to replace the revenue lost
 2 from the granting of credits in the taxing unit. The distribution for
 3 all taxing units in a county shall be made to the county auditor for
 4 the county. To the extent possible, the distribution shall be made on
 5 the same schedule that distributions from the property tax
 6 replacement fund are made under IC 6-1.1-21-10.

7 Sec. 14. The department of local government finance shall
 8 certify to the department an estimate of the amount of credits
 9 granted in a county under this chapter.

10 Sec. 15. The department shall use the estimate certified by the
 11 department of local government finance as the basis of making an
 12 estimated distribution under this chapter to civil taxing units on
 13 the schedule specified in IC 6-1.1-21-10.

14 Sec. 16. All distributions provided for in this chapter shall be
 15 made on warrants issued by the auditor of state drawn on the
 16 treasurer of state.

17 Sec. 17. If the amounts allocated by the department from the
 18 fund exceed in the aggregate the balance of money in the fund, the
 19 auditor of state shall transfer the amount of the deficiency from the
 20 state general fund to the fund. Notwithstanding IC 4-35-8-2, any
 21 amount transferred under this section from the general fund to the
 22 fund shall, as soon as funds are available in the fund, be
 23 retransferred from the fund to the state general fund.

24 Sec. 18. The department and a county auditor shall settle
 25 differences between the estimated distribution distributed under
 26 this chapter and the amount to which the taxing units in the county
 27 are entitled in the manner prescribed by the department.

28 Sec. 19. The amount distributed under this chapter shall be
 29 treated as property taxes for all purposes. A county auditor shall
 30 allocate the amount received under this chapter among the taxing
 31 units in the county at the same time as other property tax
 32 distributions are made.

33 Sec. 20. Money distributed to a taxing unit under this chapter
 34 may be used only for the purposes for which property tax levies
 35 being replaced may be used. The taxing unit shall allocate the
 36 amount of its distribution under this chapter among the taxing
 37 unit's funds in proportion to the property tax levies being replaced
 38 from each fund.

39 Sec. 21. A county auditor shall submit the information required
 40 by the department of local government finance to comply with this
 41 section on the schedule and in the manner prescribed by the
 42 department of local government finance.

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SECTION 31. IC 6-1.1-47 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 47. Definitions

Sec. 1. The definitions in this chapter apply throughout IC 6-1.1-48, IC 6-1.1-49, IC 6-1.1-50, and IC 6-1.1-51.

Sec. 2. "Allocation area" means an area established by a redevelopment district in which tax increment revenues are collected.

Sec. 3. "Budget year" means a calendar year.

Sec. 4. "County board" refers to the following:

(1) For budget years beginning before January 1, 2010, the department of local government finance.

(2) For budget years beginning after December 31, 2009, a county's county board of tax and capital projects review.

Sec. 5. "County maximum permissible expenditure limit" refers to the amount determined under IC 6-1.1-48-4 for a county for a particular budget year.

Sec. 6. "County maximum permissible property tax levy limit" refers to the lesser amount determined under IC 6-1.1-48-11 for a county for a particular budget year.

Sec. 7. "County personal income" means the estimate of total personal income for a county as computed by the federal Bureau of Economic Analysis.

Sec. 8. "Cumulative fund levy" refers to a levy that is subject to IC 6-1.1-41.

Sec. 9. "Debt service obligations" refers to:

(1) the principal and interest payable during a calendar year on bonds; and

(2) lease rental payments payable during a calendar year on leases;

of a political subdivision payable from taxes imposed in a county.

Sec. 10. (a) "Expenditure" refers to expenditures of a political subdivision.

(b) The term does not include payments or transfers listed in IC 6-1.1-48-2.

Sec. 11. "Growth quotient" refers to the growth quotient computed for a budget year under IC 6-1.1-48-5.

Sec. 12. "Political subdivision" has the meaning set forth in IC 36-1-2-13.

Sec. 13. "Political subdivision's maximum permissible expenditure limit" refers to the amount allocated to a political

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subdivision under IC 6-1.1-48-6 for a particular budget year.

Sec. 14. "Political subdivision's maximum permissible property tax levy limit" refers to the amount allocated to the political subdivision under IC 6-1.1-48-13 for a particular budget year.

Sec. 15. (a) "Property taxes" means ad valorem property taxes that are subject to taxation under this article.

(b) The term does not include special benefit taxes or special assessments. For purposes of IC 6-1.1-48, the term does not include tax increment revenues.

Sec. 16. "Redevelopment district" refers to the following:

(1) An airport development zone under IC 8-22-3.5.

(2) A redevelopment district established under:

(A) IC 36-7-14; or

(B) IC 36-7-15.1.

(3) A special taxing district, as described in:

(A) IC 36-7-14.5-12.5(d); or

(B) IC 36-7-30-3(b).

(4) Another public entity to which tax increment revenues are allocated.

Sec. 17. "Special assessment" has the meaning set forth in IC 6-1.1-1-17.

Sec. 18. "Special benefit taxes" means a special tax levied and collected on an ad valorem basis on property for the purpose of financing local public improvements that:

(1) are not political or governmental in nature; and

(2) are of special benefit to the residents and property of the area.

Sec. 19. (a) "Tax increment revenues" means an allocation to a redevelopment district of:

(1) property taxes;

(2) state or local adjusted gross income taxes; or

(3) state gross retail and use taxes;

that are not imposed by a redevelopment district, are based on an increase in the assessed value, wages, sales, or other economic activity occurring in a designated area, and are deposited in a special fund for use by the district to provide a special benefit to the property owners in the redevelopment district.

(b) The term includes allocations described in IC 5-28-26-9, IC 6-1.1-21.2-10, IC 12-19-1.5-7, IC 36-7-26-10, IC 36-7-27-8, IC 36-7-31-6, and IC 36-7-31.3-4.

Sec. 20. "Tax limit" refers to the following:

(1) A county maximum permissible expenditure limit.

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(2) A political subdivision's maximum permissible expenditure limit.

(3) A county maximum permissible property tax levy limit.

(4) A political subdivision's maximum permissible property tax levy limit.

Sec. 21. "Taxes" means the following:

(1) Property taxes.

(2) Income taxes imposed under IC 6-3.5.

SECTION 32. IC 6-1.1-48 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 48. Tax Limits

Sec. 1. This chapter applies only to budget years that begin after December 31, 2008. The purpose of this chapter is to coordinate tax levies and spending in a county so that the total tax burden on taxpayers does not rise in any budget year, on average, faster than the rate at which county personal income in the county is rising, unless the registered voters of the county agree to a more rapid increase.

Sec. 2. This chapter does not apply to the following payments or transfers:

(1) A transfer from one (1) of a political subdivision's funds to another of the political subdivision's funds.

(2) An expenditure from:

(A) the proceeds of bonds; or

(B) a cash payment related to a lease;

that becomes a debt service obligation. However, taxes used to repay the debt service obligation are subject to this chapter.

Sec. 3. The county board shall determine the county maximum permissible expenditure limit that will apply to political subdivisions in the county for a budget year.

Sec. 4. The maximum permissible expenditure limit that is applicable in a county for a particular budget year must be equal to the amount determined under STEP FOUR of the following formula:

STEP ONE: Determine the result of:

(A) the total budgeted by a political subdivision located in the county from taxes raised in the county for the immediately preceding budget year; minus

(B) the part of the budget for the immediately preceding budget year that is attributable to cumulative fund levies

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and debt service obligation property tax levies.

STEP TWO: Determine the result of:

(A) the STEP ONE amount; multiplied by

(B) the growth quotient for the county for the budget year.

STEP THREE: Determine the sum of the following:

(A) The amount by which the county board determines the STEP TWO amount should be increased for the budget year in accordance with IC 6-1.1-49-3, IC 6-1.1-49-4, IC 6-1.1-49-5, and IC 6-1.1-49-6.

(B) The sum of the cumulative fund property tax levies permitted by law in the county for the budget year.

(C) The debt service obligation property tax levies permitted by law in the county for the budget year.

STEP FOUR: Determine the result of:

(A) the sum of the STEP TWO amount and the STEP THREE amount; minus

(B) the amount by which the county board determines the maximum permissible expenditure limit should be decreased for the budget year.

Sec. 5. The growth quotient applicable to a county for a particular budget year is equal to the result determined under STEP THREE of the following formula:

STEP ONE: For each of the most recent six (6) calendar years for which data is available immediately preceding a particular year, divide the county personal income for the calendar year by the county personal income for the calendar year immediately preceding that calendar year, rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).

Sec. 6. The county board shall allocate the county's county maximum permissible expenditure limit for a budget year among the political subdivisions in the county that are permitted by law to impose a property tax or receive a distribution of income taxes imposed under IC 6-3.5, or both. The sum of all of a political subdivision's maximum permissible expenditure limits for a budget year may not exceed the county maximum permissible expenditure limit for the budget year.

Sec. 7. A political subdivision located in any part of a county may not appropriate or spend from taxes imposed in the county for a budget year an amount that exceeds the lesser of the following:

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(1) The political subdivision's maximum permissible expenditure limit approved by the county board for the political subdivision for the budget year.

(2) An amount that, when added to the amount appropriated or spent for the budget year from taxes raised in the county by all political subdivisions in the county, exceeds the maximum permissible expenditure limit applicable to the county for the budget year.

Sec. 8. Subject to section 9 of this chapter, an action of a political subdivision or agent of a political subdivision is void to the extent that it purports to authorize an expenditure from tax revenue that exceeds the limitations imposed by this chapter.

Sec. 9. Political subdivisions must fully fund the payment of their debt service obligations in an amount sufficient to pay any debt service or lease rentals on outstanding obligations, regardless of any reduction in tax collections or spending authority due to the application of any law. Any reduction in collections or spending authority must be applied to the other funds of the political subdivision after debt service or lease rentals have been fully funded.

Sec. 10. The county board shall determine the county maximum permissible property tax levy limit that will apply to political subdivisions in the county for a budget year.

Sec. 11. The county maximum permissible property tax levy limit that applies in a county for a particular budget year must equal the lesser of the county maximum permissible expenditure limit for the budget year or the amount determined under STEP FOUR of the following formula:

STEP ONE: Determine the result of:

(A) the sum of the property tax levies approved by the county board for imposition in the county in the immediately preceding budget year; minus

(B) the part of the property tax levies for the immediately preceding budget year attributable to cumulative fund levies and debt service obligation levies.

STEP TWO: Determine the result of:

(A) the STEP ONE amount; multiplied by

(B) the growth quotient for the county for the budget year.

STEP THREE: Determine the sum of the following:

(A) The amount by which the county board determines the STEP TWO amount should be increased for the budget year in accordance with IC 6-1.1-49-3, IC 6-1.1-49-4,

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1 IC 6-1.1-49-5, and IC 6-1.1-49-6.

2 (B) The sum of the cumulative fund property tax levies
3 permitted by law in the county for the budget year.

4 (C) The debt service obligation property tax levies
5 permitted by law in the county for the budget year.

6 **STEP FOUR: Determine the result of:**

7 (A) the sum of the STEP TWO amount and the STEP
8 THREE amount; minus

9 (B) the amount by which the county board determines the
10 maximum permissible expenditure limit should be
11 decreased for the budget year.

12 **Sec. 12.** For purposes of determining the county maximum
13 permissible property tax levy limit, money from any source used
14 to replace property tax revenue lost as the result of granting a
15 property tax replacement credit or homestead credit to property
16 taxpayers (other than a credit under IC 6-1.1-20.6) shall be treated
17 as property tax levies.

18 **Sec. 13.** The county board shall allocate the county's maximum
19 permissible property tax levy limit for a budget year among the
20 political subdivisions in the county that are permitted by law to
21 impose property taxes for the budget year. The sum of the property
22 tax levy limits allocated to all political subdivisions in the county
23 may not exceed the county maximum permissible property tax levy
24 limit for the budget year.

25 **Sec. 14.** A political subdivision may not impose a property tax
26 levy or establish a property tax rate for a particular purpose or
27 fund for a particular budget year that exceeds the lesser of the
28 following:

29 (1) The maximum property tax levy or rate permitted by law
30 to be raised for the budget year for the purpose or fund.

31 (2) A property tax levy or rate that, when added to all other
32 property tax levies and rates imposed in the county by:

33 (A) the political subdivision for the budget year, will not
34 exceed the political subdivision's maximum permissible
35 property tax levy limit; or

36 (B) all political subdivisions in the county for the budget
37 year, will not exceed the county maximum permissible
38 property tax levy limit for the budget year.

39 **Sec. 15.** A tax levy or tax rate that is imposed in conformity with
40 law is not void. Any amount collected and distributed to a political
41 subdivision that exceeds a limit imposed by this chapter and any
42 amount collected from delinquent taxes after the budget year for

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which the taxes were imposed shall be deposited in the political subdivision's rainy day fund established under IC 36-1-8-5.1 or IC 6-10-10-1. The amount shall be used as follows:

(1) First, to maintain the reserve required by the county board to cover shortfalls in tax revenue and to make refunds of overpayments of tax revenue.

(2) Second, to temporarily reduce property tax levies and rates imposed by the political subdivision.

(3) Third, for the purposes for which money in a rainy day fund may be used under IC 36-1-8-5.1.

Sec. 16. Notwithstanding the other provisions of this chapter, the county board shall establish the initial tax limits for the county served by the county board and each political subdivision in the county based on the property tax levies imposed in the county in 2008.

SECTION 33. IC 6-1.1-49 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 49. Restrictions on Changes in Tax Limits

Sec. 1. This chapter applies only to budget years that begin after December 31, 2008.

Sec. 2. Except as provided in sections 3, 4, 5, and 6 of this chapter, a county board may not allocate to a political subdivision for a particular budget year a part of a county's maximum permissible expenditure limit under IC 6-1.1-48-6 or the county's maximum permissible levy limit under IC 6-1.1-48-13 that, when added to the allocations made to all other political subdivisions in the county for the same budget year, exceeds the county's maximum permissible expenditure limit or maximum permissible levy limit of that budget year without approval of the increase by the voters who are registered to vote in the area in which taxes will be raised or used to fund the increase.

Sec. 3. A county board, without a referendum, may increase the county maximum permissible expenditure limit or the county maximum permissible levy limit, or both, to restore property tax levies that were temporarily decreased, as determined by the county board, as the result of the use of a cash balance to replace property tax levies.

Sec. 4. A county board, without a referendum, may temporarily increase the county maximum permissible expenditure limit or the county maximum permissible levy limit, or both, to use a cash balance accumulated from tax revenues.

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1 **Sec. 5.** A county board, without a referendum, may increase the
 2 county maximum permissible expenditure limit or maximum
 3 permissible levy limit, or both, to restore services or other
 4 expenditures that were temporarily reduced or terminated, as
 5 determined by the county board, to reduce tax levies or tax rates
 6 during an economic downturn or another period determined by the
 7 county board.

8 **Sec. 6.** A county board, without a referendum, may increase a
 9 county maximum permissible expenditure limit or county
 10 maximum permissible levy limit, or both, to provide revenues to
 11 make payments, establish reserves, and provide other credit
 12 enhancements required for a debt service obligation approved in
 13 accordance with law. Authorization granted under this section
 14 continues in each budget year in which payments on the debt
 15 service obligation must be made. The authorization also applies to
 16 refunding obligations that are issued to retire a debt service
 17 obligation described in this section if the refunding obligation does
 18 not extend the term in which payments on the original debt service
 19 obligation were to be made.

20 **Sec. 7.** A county board may not allocate to a political subdivision
 21 a part:

22 (1) of the county's maximum permissible expenditure limit to
 23 a political subdivision for a particular budget year under
 24 IC 6-1.1-48-3; or

25 (2) of the county's maximum permissible levy limit to a
 26 political subdivision for a particular year under IC 6-1.1-48-7;
 27 that is greater than the allocation recommended to the county
 28 board by the political subdivision without approval of the excess by
 29 the voters who are registered to vote in the area in which taxes will
 30 be raised to fund the increase if, after notice of the proposed
 31 allocation, the political subdivision files a petition for a referendum
 32 on the allocation that is approved by the political subdivision's
 33 fiscal body.

34 **Sec. 8.** A county board may not allocate to a political subdivision
 35 a part:

36 (1) of the county's maximum permissible expenditure limit to
 37 a political subdivision for a particular budget year under
 38 IC 6-1.1-48-3; or

39 (2) of the county's maximum permissible levy limit to a
 40 political subdivision for a particular year under IC 6-1.1-48-7;
 41 that is less than the allocation recommended to the county board
 42 by the political subdivision without approval of the reduction by

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the voters who are registered to vote in the area in which taxes would need to be raised to restore the political subdivision's allocation to the level recommended by the political subdivision if, after notice of the proposed allocation, the political subdivision files a petition for a referendum on the allocation that is approved by the political subdivision's fiscal body.

Sec. 9. For the 2012 budget year, the county board shall reduce the maximum permissible property tax levy that may be imposed in a county to eliminate the impact that the exemption of property under IC 6-1.1-10-44 and IC 6-1.1-10-45 would otherwise have on the tax payable for nonexempt property.

SECTION 34. IC 6-1.1-50 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 50. Replacement of Tax Increment Revenues

Sec. 1. This chapter applies whenever the tax increment revenues deposited in a special fund of an allocation area after December 31, 2008, are insufficient to pay the debt service obligations incurred for the allocation area before January 1, 2009.

Sec. 2. Tax revenues collected under IC 6-3.5-1.1, IC 6-3.5-6, IC 6-3.5-7, or IC 6-10 may be used to meet the obligations of a redevelopment district.

Sec. 3. To the extent that other revenue is not available to meet the obligations of a redevelopment district, the redevelopment district shall impose a special benefits tax in the redevelopment district to raise the necessary revenue to meet the redevelopment district's debt service obligations.

Sec. 4. The county board shall permit sufficient revenue to be raised to meet the obligations of a redevelopment district. The determination of the county board is not subject to the tax limits in IC 6-1.1-48 or the referendum requirements in IC 6-1.1-17-22 and IC 6-1.1-49.

SECTION 35. IC 6-1.1-51 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 51. Interim Property Tax Replacement Credit

Sec. 1. This chapter applies to property taxes imposed for an assessment date after January 15, 2008, and before March 1, 2011.

Sec. 2. As used in this chapter, "credit" refers to a credit granted by this chapter.

Sec. 3. As used in this chapter, "covered property" means property that would be eligible for an exemption under

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IC 6-1.1-10-44 or IC 6-1.1-10-45 if IC 6-1.1-10-44 and IC 6-1.1-10-45 were effective for an assessment date before March 1, 2011.

Sec. 4. As used in this chapter, "taxpayer" refers to a taxpayer that would be eligible for an exemption under IC 6-1.1-10-44 or IC 6-1.1-10-45 if IC 6-1.1-10-44 and IC 6-1.1-10-45 were effective for an assessment date before March 1, 2011.

Sec. 5. A taxpayer is entitled to a credit against the property taxes imposed on covered property for a year.

Sec. 6. The amount of the credit that is available in a year is equal to the net tax liability imposed on covered property after the application of all other deductions and credits granted under any other law, including IC 6-1.1-20.6. Notwithstanding IC 6-1.1-20.6-3, the credit amount granted under this chapter shall not be considered for purposes of calculating the credit granted under IC 6-1.1-20.6.

Sec. 7. To be eligible for the credit, a taxpayer must:

- (1) be eligible to receive a homestead credit under IC 6-1.1-20.9 before January 1, 2009; or
- (2) apply for the credit in the manner provided for the application for an exemption under IC 6-1.1-11-3.6 or IC 6-1.1-11-3.7.

However, a person applying for the credit may file an application for the credit at any time before January 1 of the year in which it will be initially applied to taxes first due and payable in that year.

Sec. 8. The amount raised under IC 6-10 to replace the revenue lost from the credit granted by this chapter shall be treated as property taxes for all purposes.

SECTION 36. IC 6-2.5-10-1, AS AMENDED BY P.L.234-2007, SECTION 40, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 1. (a) The department shall account for all state gross retail and use taxes that it collects.

(b) The department shall deposit those collections in the following manner:

- (1) **Before January 1, 2012**, fifty percent (50%) of the collections shall be paid into the property tax replacement fund established under IC 6-1.1-21.
- (2) **The following collections shall be paid into the state general fund:**
 - (A) **Before January 1, 2012**, forty-nine and sixty-seven thousandths percent (49.067%). ~~of the collections shall be paid into the state general fund.~~

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(B) After December 31, 2011, ninety-nine and sixty-seven thousandths percent (99.067%).

(3) Seventy-six hundredths of one percent (0.76%) of the collections shall be paid into the public mass transportation fund established by IC 8-23-3-8.

(4) Thirty-three thousandths of one percent (0.033%) of the collections shall be deposited into the industrial rail service fund established under IC 8-3-1.7-2.

(5) Fourteen-hundredths of one percent (0.14%) of the collections shall be deposited into the commuter rail service fund established under IC 8-3-1.5-20.5.

SECTION 37. IC 6-3-1-3.5, AS AMENDED BY P.L.144-2007, SECTION 3, AS AMENDED BY P.L.211-2007, SECTION 19, AND AS AMENDED BY P.L.223-2007, SECTION 1, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3.5. When used in this article, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).

(4) Subtract one thousand dollars (\$1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) for taxable years beginning after December 31, 2004, one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal

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- 1 Revenue Code (as effective January 1, 2004); and
- 2 (B) five hundred dollars (\$500) for each additional amount
- 3 allowable under Section 63(f)(1) of the Internal Revenue Code
- 4 if the adjusted gross income of the taxpayer, or the taxpayer
- 5 and the taxpayer's spouse in the case of a joint return, is less
- 6 than forty thousand dollars (\$40,000).
- 7 This amount is in addition to the amount subtracted under
- 8 subdivision (4).
- 9 (6) Subtract an amount equal to the lesser of:
- 10 (A) that part of the individual's adjusted gross income (as
- 11 defined in Section 62 of the Internal Revenue Code) for that
- 12 taxable year that is subject to a tax that is imposed by a
- 13 political subdivision of another state and that is imposed on or
- 14 measured by income; or
- 15 (B) two thousand dollars (\$2,000).
- 16 (7) Add an amount equal to the total capital gain portion of a
- 17 lump sum distribution (as defined in Section 402(e)(4)(D) of the
- 18 Internal Revenue Code) if the lump sum distribution is received
- 19 by the individual during the taxable year and if the capital gain
- 20 portion of the distribution is taxed in the manner provided in
- 21 Section 402 of the Internal Revenue Code.
- 22 (8) Subtract any amounts included in federal adjusted gross
- 23 income under Section 111 of the Internal Revenue Code as a
- 24 recovery of items previously deducted as an itemized deduction
- 25 from adjusted gross income.
- 26 (9) Subtract any amounts included in federal adjusted gross
- 27 income under the Internal Revenue Code which amounts were
- 28 received by the individual as supplemental railroad retirement
- 29 annuities under 45 U.S.C. 231 and which are not deductible under
- 30 subdivision (1).
- 31 (10) Add an amount equal to the deduction allowed under Section
- 32 221 of the Internal Revenue Code for married couples filing joint
- 33 returns if the taxable year began before January 1, 1987.
- 34 (11) Add an amount equal to the interest excluded from federal
- 35 gross income by the individual for the taxable year under Section
- 36 128 of the Internal Revenue Code if the taxable year began before
- 37 January 1, 1985.
- 38 (12) Subtract an amount equal to the amount of federal Social
- 39 Security and Railroad Retirement benefits included in a taxpayer's
- 40 federal gross income by Section 86 of the Internal Revenue Code.
- 41 (13) In the case of a nonresident taxpayer or a resident taxpayer
- 42 residing in Indiana for a period of less than the taxpayer's entire

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taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) **For a taxable year beginning before January 1, 2009,** subtract an amount equal to the lesser of:

(A) for a taxable year

(i) ~~including any part of 2004, the amount determined under subsection (f); and~~

(ii) beginning after December 31, 2004, two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(18) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

(19) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(20) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(21) Add or subtract the amount necessary to make the adjusted

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gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(22) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(23) *Subtract an amount equal to the amount of the taxpayer's qualified military income that was not excluded from the taxpayer's gross income for federal income tax purposes under Section 112 of the Internal Revenue Code.*

~~(23)~~ (24) *Subtract income that is:*

(A) *exempt from taxation under IC 6-3-2-21.7; and*

(B) *included in the individual's federal adjusted gross income under the Internal Revenue Code.*

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus

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depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) Add to the extent required by IC 6-3-2-20 the amount of intangible expenses (as defined in IC 6-3-2-20) and any directly related intangible interest expenses (as defined in IC 6-3-2-20) for the taxable year that reduced the corporation's taxable income (as defined in Section 63 of the Internal Revenue Code) for federal income tax purposes.

(10) Add an amount equal to any deduction for dividends paid (as defined in Section 561 of the Internal Revenue Code) to shareholders of a captive real estate investment trust (as defined in section 34.5 of this chapter).

~~(10)~~ **(11)** Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the corporation's taxable income under the Internal Revenue Code.

(c) In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code

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for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 or Section 810 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) *Subtract income that is:*

(A) *exempt from taxation under IC 6-3-2-21.7; and*

(B) *included in the insurance company's taxable income under the Internal Revenue Code.*

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable

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under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) *Subtract income that is:*

(A) *exempt from taxation under IC 6-3-2-21.7; and*

(B) *included in the insurance company's taxable income under the Internal Revenue Code.*

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September

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1 11 terrorist attack or a trust to the extent the trust benefits a victim
2 of the September 11 terrorist attack.

3 (3) Add or subtract the amount necessary to make the adjusted
4 gross income of any taxpayer that owns property for which bonus
5 depreciation was allowed in the current taxable year or in an
6 earlier taxable year equal to the amount of adjusted gross income
7 that would have been computed had an election not been made
8 under Section 168(k) of the Internal Revenue Code to apply bonus
9 depreciation to the property in the year that it was placed in
10 service.

11 (4) Add an amount equal to any deduction allowed under Section
12 172 of the Internal Revenue Code.

13 (5) Add or subtract the amount necessary to make the adjusted
14 gross income of any taxpayer that placed Section 179 property (as
15 defined in Section 179 of the Internal Revenue Code) in service
16 in the current taxable year or in an earlier taxable year equal to
17 the amount of adjusted gross income that would have been
18 computed had an election for federal income tax purposes not
19 been made for the year in which the property was placed in
20 service to take deductions under Section 179 of the Internal
21 Revenue Code in a total amount exceeding twenty-five thousand
22 dollars (\$25,000).

23 (6) Add an amount equal to the amount that a taxpayer claimed as
24 a deduction for domestic production activities for the taxable year
25 under Section 199 of the Internal Revenue Code for federal
26 income tax purposes.

27 (7) Subtract income that is:

28 (A) exempt from taxation under IC 6-3-2-21.7; and

29 (B) included in the taxpayer's taxable income under the
30 Internal Revenue Code.

31 (f) This subsection applies only to the extent that an individual paid
32 property taxes in 2004 that were imposed for the March 1, 2002,
33 assessment date or the January 15, 2003, assessment date. The
34 maximum amount of the deduction under subsection (a)(17) is equal
35 to the amount determined under STEP FIVE of the following formula:

36 STEP ONE: Determine the amount of property taxes that the
37 taxpayer paid after December 31, 2003, in the taxable year for
38 property taxes imposed for the March 1, 2002, assessment date
39 and the January 15, 2003, assessment date.

40 STEP TWO: Determine the amount of property taxes that the
41 taxpayer paid in the taxable year for the March 1, 2003,
42 assessment date and the January 15, 2004, assessment date.



STEP THREE: Determine the result of the STEP ONE amount divided by the STEP TWO amount.

STEP FOUR: Multiply the STEP THREE amount by two thousand five hundred dollars (\$2,500).

STEP FIVE: Determine the sum of the STEP FOUR amount and two thousand five hundred dollars (\$2,500).

SECTION 38. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 1. (a) Each taxable year, a tax at the rate of ~~three one and four-tenths~~ **seven-tenths** percent (~~3.4%~~) (**1.7%**) of adjusted gross income is imposed upon the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person.

(b) Except as provided in section 1.5 of this chapter, each taxable year, a tax at the rate of eight and five-tenths percent (8.5%) of adjusted gross income is imposed on that part of the adjusted gross income derived from sources within Indiana of every corporation.

SECTION 39. IC 6-3-2-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 6. (a) Each taxable year, an individual who rents a dwelling for use as the individual's principal place of residence may deduct from the individual's adjusted gross income (as defined in IC 6-3-1-3.5(a)), the lesser of:

(1) the amount of rent paid by the individual with respect to the dwelling during the taxable year; or

(2) **for taxable years beginning:**

(A) **before January 1, 2009**, two thousand five hundred dollars (\$2,500); **and**

(B) **after December 31, 2008**, the following amounts:

Deduction Amount	Combined Variable Local Income Tax Rate for Taxpayer Under IC 6-10
\$2,500	Not more than 1.7%
\$3,235	1.7% to 2.7%
\$3,970	2.7% to 3.7%
\$4,705	3.7% to 4.7%
\$5,440	4.7% to 5.7%
\$6,175	5.7% to 6.7%
\$6,920	6.7% to 7.7%
\$7,655	7.7% and higher

(b) Notwithstanding subsection (a), a husband and wife filing a joint adjusted gross income tax return for a particular taxable year may not claim a deduction under this section of more than **for taxable years**

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beginning:

(1) before January 1, 2009, two thousand five hundred dollars (\$2,500); and

(2) after December 31, 2008, the following amounts:

Deduction Amount	Combined Variable Local Income Tax Rate for Taxpayer Under IC 6-10
\$2,500	Not more than 1.7%
\$3,235	1.7% to 2.7%
\$3,970	2.7% to 3.7%
\$4,705	3.7% to 4.7%
\$5,440	4.7% to 5.7%
\$6,175	5.7% to 6.7%
\$6,920	6.7% to 7.7%
\$7,655	7.7% and higher

(c) The deduction provided by this section before January 1, 2012, does not apply to an individual who rents a dwelling that is exempt from Indiana property tax.

(d) For purposes of this section, a "dwelling" includes a single family dwelling and unit of a multi-family dwelling.

SECTION 40. IC 6-3-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 3. (a) ~~At~~ **The** revenues derived from collection of the adjusted gross income tax imposed on corporations shall be deposited in the state general fund.

(b) All revenues derived from collection of the adjusted gross income tax imposed on persons shall be deposited ~~as follows:~~

(1) ~~Eighty-six percent (86%)~~ in the state general fund.

(2) ~~Fourteen percent (14%) in the property tax replacement fund.~~

SECTION 41. IC 6-3.1-20-8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 8. This chapter expires January 1, 2009.**

SECTION 42. IC 6-3.5-1.1-27 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 27. (a) Notwithstanding section 11 of this chapter, after December 31, 2008, the percentage of a certified distribution under this chapter that shall be allocated after December 31, 2008, to property tax replacement credits is zero (0). Unless a county council adopts an ordinance under this chapter restoring the tax rate, beginning October 1, 2008, the county adjusted gross income tax rate in a county is reduced by the part of the tax rate, as determined by the budget agency, that, without the application of this section, would be raised for the**

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purpose of providing property tax replacement credits under section 11 of this chapter.

(b) The following provisions and the tax rates imposed or allocated under the following provisions expire January 1, 2009:

(1) Section 24 of this chapter.

(2) Section 26 of this chapter.

SECTION 43. IC 6-3.5-1.5-4 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 4. This chapter expires January 1, 2009.**

SECTION 44. IC 6-3.5-6-34 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 34. (a) Notwithstanding section 13 of this chapter, after December 31, 2008, the percentage of a certified distribution under this chapter allocated after December 31, 2008, to homestead credits is zero (0). Unless a county option income tax council adopts an ordinance under this chapter restoring the tax rate, beginning October 1, 2008, the county option income tax rate in a county is reduced by the part of the tax rate, as determined by the budget agency, that, without the application of this section, would be raised for the purpose of providing homestead credits under section 13 of this chapter.**

(b) The following provisions expire January 1, 2009:

(1) Section 13 of this chapter.

(2) Section 30 of this chapter.

(3) Section 32 of this chapter.

SECTION 45. IC 6-3.5-7-29 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 29. (a) Notwithstanding sections 13.1 and 23 of this chapter, after December 31, 2008, the percentage of a certified distribution under this chapter allocated after December 31, 2008, to homestead credits under section 13.1(b)(5), 13.1(b)(6), or 13.1(b)(9) or property tax replacement credits under section 23 of this chapter is zero (0). Unless a county option income tax council or county council, as appropriate, adopts an ordinance under IC 6-3.5-6 restoring the tax rate, beginning October 1, 2008, the county economic development income tax rate in a county is reduced by the part of the tax rate, as determined by the budget agency, that, without the application of this section, would be raised for the purpose of providing homestead credits under section 13.1(b)(5), 13.1(b)(6), or 13.1(b)(9) or property tax replacement credits under section 23 of this chapter.**

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(b) The following provisions expire January 1, 2009:

(1) Section 13.1(b)(5) of this chapter.

(2) Section 13.1(b)(6) of this chapter.

(3) Section 13.1(b)(9) of this chapter.

(4) Section 23 of this chapter.

(5) Section 26 of this chapter.

However, a tax rate may not be imposed under section 26 of this chapter after September 30, 2008.

SECTION 46. IC 6-8.1-1-1, AS AMENDED BY P.L.233-2007, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the slot machine wagering tax (IC 4-35-8); the gross income tax (IC 6-2.1) (repealed); the utility receipts and utility services use taxes (IC 6-2.3); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) (repealed); the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); the auto rental excise tax (IC 6-6-9); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); **a variable local income tax imposed under IC 6-10**; the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 47. IC 6-10 IS ADDED TO THE INDIANA CODE AS A **NEW ARTICLE** TO READ AS FOLLOWS [EFFECTIVE JULY 1,

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ARTICLE 10. VARIABLE LOCAL INCOME TAX

Chapter 1. Purpose; Application

Sec. 1. This article applies to all taxing units.

Sec. 2. The purpose of this article is to provide taxing units with an alternative source of tax revenue to replace property tax revenue lost from:

- (1) the property tax replacement credit granted under IC 6-1.1-51 after December 31, 2008, and before January 1, 2012; and**
- (2) property tax exemptions granted after December 31, 2011, under IC 6-1.1-10-44.**

Sec. 3. A tax imposed under this article is in addition to a tax imposed under any other law.

Chapter 2. Definitions

Sec. 1. The definitions in IC 6-3 and this chapter apply throughout this article.

Sec. 2. "Adjusted gross income" means adjusted gross income (as defined in IC 6-3-1-3.5(a)), except that in the case of a taxpayer who is a nonresident, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 3. "Allocation area" has the meaning set forth in IC 6-1.1-47-2.

Sec. 4. "Budget year" means a calendar year.

Sec. 5. "County board" refers:

- (1) for budget years beginning before January 1, 2010, the department of local government finance; and**
- (2) for budget years beginning after December 31, 2009, to the county board of tax and capital projects review.**

Sec. 6. "Impose" means the following:

- (1) To establish a tax.**
- (2) To set a tax rate for a tax.**
- (3) To increase or decrease the tax rate for a tax.**
- (4) To otherwise change the terms or conditions of a tax.**

Sec. 7. "Levy" refers to a levy of tax under this article.

Sec. 8. "Nonresident" means an individual:

- (1) who is not a resident of Indiana on the residency determination date in the individual's taxable year; and**
- (2) whose principal place of business or employment is located in Indiana on the residency determination date in the individual's taxable year.**

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1 Sec. 9. "Political subdivision" has the meaning set forth in
2 IC 36-1-2-13.

3 Sec. 10. "Rainy day fund" refers to a rainy day fund established
4 under IC 36-1-8-5.1 or IC 6-10-10-1.

5 Sec. 11. "Residency determination date" refers to the date in a
6 taxpayer's taxable year on which the taxpayer's obligation to pay
7 taxes imposed by a particular taxing unit is determined.

8 Sec. 12. "Resident" means an individual who is a resident of a
9 taxing unit on the residency determination date in the individual's
10 taxable year.

11 Sec. 13. "Tax" refers to an adjusted gross income tax imposed
12 under this article.

13 Sec. 14. "Tax limit" refers to a tax limit imposed under
14 IC 6-1.1-48 or any other law.

15 Sec. 15. "Taxing unit" means a political subdivision that has the
16 power to impose an ad valorem property tax.

17 Sec. 16. "Taxpayer" refers to an individual who has tax liability
18 under this article.

19 Chapter 3. Determination of Tax Area

20 Sec. 1. The following tax areas are created in Indiana:

- 21 (1) County tax areas, each of which consists of all the territory
22 in a single county.
- 23 (2) School tax areas, each of which consists of all the territory
24 served by a single school corporation.

25 Sec. 2. (a) This section applies to a taxing unit whenever:

- 26 (1) the boundaries of the taxing unit are not contiguous with
27 the boundaries of one (1) or more entire counties; or
- 28 (2) the taxing unit is a school corporation.

29 (b) Tax revenue for a taxing unit shall be raised from each
30 school tax area in which the taxing unit is located.

31 Sec. 3. (a) This section applies to a taxing unit whenever:

- 32 (1) the boundaries of the taxing unit are contiguous with the
33 boundaries of one (1) or more entire counties; or
- 34 (2) the taxing unit is not a school corporation.

35 (b) Tax revenue for a taxing unit shall be raised from each
36 county tax area in which the taxing unit is located.

37 Chapter 4. Imposition of Tax

38 Sec. 1. A countywide variable local income tax is imposed, for
39 taxable years beginning after December 31, 2008, on the adjusted
40 gross income of:

- 41 (1) each resident of Indiana; and
- 42 (2) each nonresident who has adjusted gross income derived

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from sources within Indiana and is not exempted from the tax under this article.

Sec. 2. The countywide variable local income tax rate imposed on an individual is the countywide variable local income tax rate imposed in the county tax area where the individual:

(1) has the individual's principal place of residence in Indiana; or

(2) if the individual is a nonresident, has the individual's principal place of business or employment in Indiana; on the residency determination date for the individual's taxable year.

Sec. 3. A school district-wide variable local income tax is imposed, for taxable years beginning after December 31, 2008, on the adjusted gross income of:

(1) each resident of Indiana; and

(2) each nonresident who has adjusted gross income derived from sources within Indiana and is not exempted from the tax under this article.

Sec. 4. The school district-wide variable local income tax rate imposed on an individual is the school district-wide variable local income tax rate imposed in the school tax area where the individual:

(1) has the individual's principal place of residence in Indiana; or

(2) if the individual is a nonresident, has the individual's principal place of business or employment in Indiana; on the residency determination date for the individual's taxable year.

Sec. 5. The tax on a nonresident may be imposed only on the part of the nonresident's adjusted gross income that is derived from the individual's principal place of business or employment in the tax area.

Sec. 6. In the case of a resident of Perry County, the tax may not be imposed on the part of the individual's adjusted gross income that is:

(1) earned in a county that is:

(A) located in another state; and

(B) adjacent to the county in which the taxpayer resides; and

(2) subject to an income tax imposed by a county, city, town, or other local governmental entity in the other state.

Sec. 7. For purposes of this chapter, an individual shall be

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1 treated as having the individual's principal place of residence in:

2 (1) the tax area in which the individual maintains a home, if
3 the individual maintains only one (1) home in Indiana;

4 (2) if subdivision (1) does not apply, the tax area in which the
5 individual is registered to vote;

6 (3) if neither subdivision (1) nor (2) applies, the tax area in
7 which the individual registers the individual's personal
8 automobile; or

9 (4) if none of subdivisions (1), (2), and (3) applies, the tax area
10 in which the individual spends the majority of the individual's
11 time in Indiana during the taxable year in question.

12 **Sec. 8. A nonresident who:**

13 (1) does not have a principal place of business or employment
14 in Indiana; and

15 (2) derives nonbusiness income from sources within Indiana;
16 shall be treated as having the individual's place of business or
17 employment where the nonbusiness income is primarily derived.

18 **Sec. 9. The residency determination date for an individual is to**
19 **be determined on January 1 of the year in which the individual's**
20 **taxable year begins. If an individual changes the location of the**
21 **individual's residence or principal place of employment or business**
22 **to another tax area in Indiana during a year, the individual's**
23 **liability for the tax is not affected.**

24 **Sec. 10. A taxing unit's fiscal body may pass an ordinance (if the**
25 **taxing unit is a county, city, or town) or a resolution (if the taxing**
26 **unit is not a county, city, or town) to enter into reciprocity**
27 **agreements with the taxing authority of a city, town, municipality,**
28 **county, or other similar local governmental entity of any other**
29 **state. A reciprocity agreement must provide that the income of**
30 **Indiana residents is exempt from income taxation by the other**
31 **local governmental entity to the extent that the income of**
32 **nonresidents who reside in the other local governmental entity is**
33 **exempt from the tax in the Indiana taxing unit entering into the**
34 **agreement.**

35 **Sec. 11. A reciprocity agreement adopted under this chapter**
36 **may not become effective until it is also:**

37 (1) adopted by the fiscal body of each of the other taxing units
38 raising tax revenue in the same tax area as the taxing unit
39 initiating the reciprocal agreement; and

40 (2) made effective in the other local governmental entity that
41 is a party to the agreement.

42 **Sec. 12. The form and effective date of any reciprocity**

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1 agreement described in this chapter must be approved by the
2 department. Each adopting taxing unit shall certify the reciprocity
3 agreement and any change in the reciprocity agreement to the
4 department.

5 **Sec. 13.** If for any taxable year a taxpayer is subject to different
6 tax rates for the tax imposed in a tax area, the taxpayer's tax rate
7 for the tax area and that taxable year is the rate determined in
8 **STEP FOUR** of the following **STEPS**:

9 **STEP ONE:** Multiply the number of months in the taxpayer's
10 taxable year that precede July 1 by the rate in effect before
11 the rate change.

12 **STEP TWO:** Multiply the number of months in the taxpayer's
13 taxable year that follow June 30 by the rate in effect after the
14 rate change.

15 **STEP THREE:** Add the results determined under **STEP ONE**
16 and **STEP TWO**.

17 **STEP FOUR:** Divide the **STEP THREE** result by twelve (12).

18 **Sec. 14.** If the tax is not in effect during a taxpayer's entire
19 taxable year, the amount of tax that the taxpayer owes for that
20 taxable year equals the product of:

21 (1) the amount of tax the taxpayer would owe if the tax had
22 been imposed during the taxpayer's entire taxable year;
23 multiplied by

24 (2) a fraction. The numerator of the fraction equals the
25 number of days in the taxpayer's taxable year during which
26 the tax was in effect. The denominator of the fraction equals
27 the total number of days in the taxpayer's taxable year.

28 **Sec. 15.** (a) Except as provided in subsection (b), if for a
29 particular taxable year a resident is liable for an income tax
30 imposed by a county, city, town, or other local governmental entity
31 located outside Indiana, that resident is entitled to a credit against
32 the taxpayer's total tax liability imposed under this article for that
33 same taxable year. The amount of the credit equals the amount of
34 tax imposed by the other governmental entity on income derived
35 from sources outside Indiana and subject to the tax under this
36 chapter. However, the credit provided by this section may not
37 reduce a resident's tax liability under this article to an amount less
38 than would have been owed if the income subject to taxation by the
39 other governmental entity had been ignored.

40 (b) The credit provided by this section does not apply to a
41 resident to the extent that the other governmental entity provides
42 for a credit to the resident for the amount of taxes owed under this

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1 article.

2 (c) To claim the credit provided by this section, a resident must
3 provide the department with satisfactory evidence that the
4 taxpayer is entitled to the credit.

5 Sec. 16. (a) If for a particular taxable year a taxpayer is, or a
6 taxpayer and the taxpayer's spouse who file a joint return are,
7 allowed a credit for the elderly or totally disabled under Section 22
8 of the Internal Revenue Code, the taxpayer is, or the taxpayer and
9 the taxpayer's spouse are, entitled to a credit against the tax
10 liability under this article for that same taxable year. The amount
11 of the credit equals the lesser of:

12 (1) the product of:

13 (A) the credit for the elderly or totally disabled for that
14 same taxable year; multiplied by

15 (B) a fraction, the:

16 (i) numerator of which is the tax rate imposed under this
17 article against the taxpayer or the taxpayer and the
18 taxpayer's spouse; and

19 (ii) denominator of which is fifteen-hundredths (0.15); or

20 (2) the amount of tax imposed on the taxpayer or the taxpayer
21 and the taxpayer's spouse.

22 (b) If a taxpayer and the taxpayer's spouse file a joint return
23 and are subject to different taxing unit tax rates for the same
24 taxable year, the taxpayer and the taxpayer's spouse shall compute
25 the credit under this section by using the formula provided under
26 subsection (a), except that they shall use the average of the two (2)
27 tax rates imposed against them as the numerator referred to in
28 subsection (a)(1)(B)(i).

29 Sec. 17. Except as otherwise provided in this chapter, all
30 provisions of the adjusted gross income tax law (IC 6-3)
31 concerning:

32 (1) definitions;

33 (2) declarations of estimated tax;

34 (3) filing of returns;

35 (4) deductions or exemptions from adjusted gross income;

36 (5) remittances;

37 (6) incorporation of the provisions of the Internal Revenue
38 Code;

39 (7) penalties and interest; and

40 (8) exclusion of military pay credits for withholding;

41 apply to the imposition, collection, and administration of the tax
42 imposed by this article.

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1 Sec. 18. IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5,
2 IC 6-3-4-4.1(g), IC 6-3-4-8.1(f), and IC 6-3-5-1 do not apply to the
3 tax imposed by this article.

4 Sec. 19. Each employer, including an employer making
5 payments by electronic funds transfer, shall report to the
6 department for each reporting period the amount of tax
7 withholdings attributable to each taxing area. The report must be
8 made before the later of:

- 9 (1) the time that an employer that is not making an electronic
10 funds transfer is required to pay to the department amounts
11 withheld during the reporting period; or
12 (2) the date specified by the department.

13 Sec. 20. A taxpayer required to file estimated or annual state
14 adjusted gross income tax returns under IC 6-3-4-4.1, including
15 taxpayers making payments by electronic funds transfer, shall file
16 estimated tax returns and make payments of the tax imposed by
17 this article to the department at the time or times and in the
18 installments specified under IC 6-3-4-4.1 for making estimated
19 state adjusted gross income tax returns by taxpayers not making
20 an electronic funds transfer.

21 Sec. 21. The department shall require employers and taxpayers
22 to designate on returns the county tax area and the school tax area
23 from which tax was derived.

24 Chapter 5. Establishment of Tax Rate

25 Sec. 1. The procedures in IC 6-1.1-17 and IC 6-1.1-18 apply to
26 the adoption of budgets, supplemental budgets, tax rates, and tax
27 levies under this article.

28 Sec. 2. Before July 2 in each year, the county fiscal officer shall
29 send a certified statement to the fiscal officer of each taxing unit in
30 the county containing the following information:

- 31 (1) An estimate of taxes and property tax levy amounts to be
32 distributed to the taxing unit during the last six (6) months of
33 the current year.
34 (2) The average growth in personal income in the county over
35 the most recent six (6) calendar years for which data are
36 available.
37 (3) Any other information at the disposal of the county fiscal
38 officer that might affect the budget adoption process.

39 Sec. 3. In formulating budget estimates, a taxing unit's fiscal
40 officer and fiscal body shall identify the tax needed for each fund
41 for the budget year.

42 Sec. 4. In the notice required under IC 6-1.1-17-3, a taxing unit

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shall include the following information:

(1) The amount of the budget for each fund that the taxing unit proposes to fund from taxes and the estimated tax rate necessary to raise the amount.

(2) The amount of the budget that will be funded from a distribution of the taxing unit's rainy day fund.

Sec. 5. Not later than the date on which the notice described in section 4 of this chapter is published, a taxing unit shall submit a copy of the notice to the county fiscal officer.

Sec. 6. In the hearing conducted under:

(1) IC 6-1.1-17-3; and

(2) IC 6-1.1-17-5 or IC 6-1.1-17-5.6;

a taxing unit shall consider public testimony concerning the part of the budget that the taxing unit proposes to fund from taxes.

Sec. 7. Ten (10) or more individuals or entities that could be subject to a tax under this article may object to a taxing unit's budget in the same manner as an objection may be filed under IC 6-1.1-17-5. The taxing unit shall make findings concerning an objection filed under this section in the same manner as the taxing unit is required to make findings to an objection filed under IC 6-1.1-17-5.

Sec. 8. The taxing unit's:

(1) budget; and

(2) tax levies;

must be adopted in conformity with IC 6-1.1-17-5 or IC 6-1.1-17-5.6, as applicable. The ordinance or resolution in which the tax levies are adopted must estimate the tax rates necessary to raise the tax levies and must separately state the tax levies and tax rates that are attributable to an excessive levy appeal.

Sec. 9. If the fiscal body does not fix a budget or specify the taxes needed to fund the budget before the date specified in IC 6-1.1-17-5 or IC 6-1.1-17-5.6 or any later date approved by the department of local government finance, the tax levy specified in the most recently adopted budget shall be treated as the tax levy adopted for the ensuing year.

Sec. 10. Each year, at least two (2) days before the first meeting of the county board held under IC 6-1.1-29-4, a taxing unit shall file with the county auditor of each county in which the taxing unit is located:

(1) a statement of the tax levy fixed by the taxing unit for the ensuing budget year and the estimated tax rate needed to raise the tax levy;

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(2) two (2) copies of the budget adopted by the taxing unit for the ensuing budget year; and

(3) two (2) copies of any findings adopted under section 7 of this chapter.

The county auditor shall present these items to the county board at the board's first meeting. If a taxing unit is located in more than one (1) county, the county determined under IC 6-1.1-17-7 has jurisdiction over the taxing unit's budget, tax rates, and tax levies.

Sec. 11. When a county board reviews budgets, tax levies, and tax rates under IC 6-1.1-17-6, the county board may accept, revise, reduce, or increase the taxes, tax rates, and the part of the budget funded from taxes proposed by the taxing unit to enforce the tax limits imposed by law.

Sec. 12. A county board shall notify the fiscal officer of each taxing unit of the action taken under this chapter. The county board shall issue its determination in the form of a written order. The written order shall be certified to the following:

(1) The affected taxing unit.

(2) The county fiscal officer for each county in which the taxing unit is located.

Sec. 13. In the notice required under IC 6-1.1-17-12, the county board shall include the following information:

(1) The tax levy and estimated tax rate for each tax imposed under this article that will be in effect in the taxing area for the following year.

(2) A statement briefly describing the actions that the department of local government finance is empowered to take with respect to the tax levies, tax rates, and budget.

Sec. 14. The county fiscal officer shall forward a copy of each taxing unit's budget, tax rates, and tax levies to the department of local government finance along with notice of the actions taken by the county board.

Sec. 15. A taxing unit, with the approval of the taxing unit's fiscal body adopted by resolution, may seek a referendum on an action of the county board in conformity with IC 6-1.1-17-22 and IC 6-1.1-49.

Sec. 16. The department of local government finance, after reviewing the recommendation of the budget agency, shall compute the appropriate tax rate for each tax area. The part of a tax rate imposed for a taxing unit:

(1) must be uniform throughout a tax area; and

(2) in the case of a taxing unit in more than one (1) county:

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(A) must be uniform in each of the tax areas in which the taxing unit is permitted to impose a tax; and

(B) when added to the tax raised in all other tax areas, must be sufficient to raise the part of the budget described in section 17 of this chapter.

Sec. 17. (a) This subsection applies to budget years beginning after December 31, 2008, and ending before January 1, 2012. The tax rate set for a tax area must be sufficient to replace the revenue lost to all taxing units permitted to impose a tax in the taxing area from the application of the credit granted under IC 6-1.1-51 in the budget year.

(b) This subsection applies to budget years beginning after December 31, 2011. The tax rate set for a tax area must be sufficient to raise the tax levies approved by the county board for the ensuing budget year for each taxing unit that is permitted to raise tax revenue in the tax area after deducting revenue budgeted from property tax levies (before applying the circuit breaker credit under IC 6-1.1-20.6) and other sources of revenue.

(c) The computation of the appropriate tax rate shall be estimated, to the extent practicable, from the amount:

(1) received from taxes and state adjusted gross income taxes from taxpayers in that tax area for a taxable year ending before the calendar year in which the determination is made; and

(2) reported on an annual return or amended return processed by the department in the state fiscal year ending before July 1 of the calendar year in which the determination is made;

as adjusted for refunds of taxes and state adjusted gross income taxes made in the state fiscal year.

Sec. 18. (a) This section applies only to the 2012 budget year.

(b) Notwithstanding IC 6-1.1-20.6-9.5, if budgeted by an affected taxing unit and approved by the county board, the tax rate for a tax area shall be set so that, in addition to the amount described in section 17 of this chapter, an affected taxing unit that is permitted to raise tax revenue in the tax area can replace from taxes the revenue lost as a result of the property tax circuit breaker credit under IC 6-1.1-20.6.

Sec. 19. The department of local government finance shall certify the tax area tax rates for a year to:

(1) each affected taxing unit;

(2) the county fiscal officer for the county where taxes must be

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1 raised;

2 (3) the department; and

3 (4) the auditor of state;

4 before December 2 or as soon as practicable after December 1 of
5 the year that immediately precedes the year in which a tax or a tax
6 increase will take effect.

7 Sec. 20. A tax rate certified under this chapter takes effect on
8 the later of January 1 or thirty (30) days after the tax rate is
9 certified by the county board.

10 Chapter 6. Distribution of Tax Revenue

11 Sec. 1. The department shall separately account within the state
12 general fund for the taxes imposed in a taxing area in a manner
13 sufficient to provide each affected taxing unit, the taxpayers for a
14 taxing unit, and a county board with jurisdiction over the taxing
15 area with an accounting of the amounts collected under this article
16 in the taxing area.

17 Sec. 2. The auditor of state shall distribute each month to a
18 taxing unit the net amount collected in the immediately preceding
19 month from the tax imposed in a county tax area to the county
20 auditor for the county and the tax imposed in a school tax area to
21 the county auditor where the majority of the territory of the school
22 corporation in the school tax area is located.

23 Sec. 3. The auditor of state shall make distributions under this
24 chapter from the state general fund.

25 Sec. 4. The amount necessary to make the distributions required
26 by this chapter is annually appropriated from the state general
27 fund.

28 Sec. 5. The county assessor shall maintain a data base
29 containing information concerning the parcels of real estate in the
30 county and the parcel numbers used to identify the taxing areas in
31 which the parcels are located. Not later than July 1 of each year,
32 the county assessor shall submit the information in the data base
33 to the county auditor. The information must be sorted to identify
34 the number of parcels in each school tax area that are in each
35 township, city, town, and public library.

36 Sec. 6. The county auditor shall allocate a distribution under
37 this chapter among the taxing units for which the tax was imposed
38 in proportion to the part of the budgets of the taxing units being
39 funded from the tax area. Whenever a township, city, town, or
40 public library is permitted to raise tax revenue in more than one
41 (1) school taxing area, the county auditor shall allocate the tax
42 raised in the township, city, town, or public library levy in

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proportion to the number of townships, cities, towns, and public library parcels in each school tax area.

Sec. 7. A county auditor shall distribute as required by law for deposit in the appropriate special fund any tax revenue that is to be distributed to an allocation area.

Sec. 8. (a) This section applies if:

(1) a taxing unit's legislative body adopts an ordinance (if the taxing unit is a county, city, or town) or a resolution (if the taxing unit is not a county, city, or town) authorizing the distribution of part of the taxing unit's taxes to an assignee of the taxing unit; and

(2) the assignment is permitted by law.

(b) The county auditor shall reduce the amount of a distribution made to a taxing unit by the amount that the taxing unit directs the county auditor to distribute to an assignee of the taxing unit.

(c) A distribution under this section must be made to the assignee designated in the ordinance or resolution at the assignee's last known address, as submitted to the county auditor by the executive of the taxing unit before the cutoff date specified by the county auditor or as otherwise determined by law.

(d) A distribution under this section may be made not more than one (1) time each month. The distribution may be made only in the months specified in the ordinance or resolution. The distribution for a month may not exceed the amount that the taxing unit would otherwise be entitled to receive as a distribution in the month, after deducting all other distribution assignments.

Sec. 9. For purposes of making distributions of:

(1) income taxes imposed under IC 6-3.5; and

(2) excise taxes imposed under any law;

that are distributed to a taxing unit based on the property tax levy imposed by the taxing unit and for complying with any law that sets appropriations, tax rates, or tax levies based on a calculation involving property taxes, taxes imposed under this article shall be treated as property taxes.

Chapter 7. Exchange of Information

Sec. 1. Forms, notices, ordinances, and resolutions required or permitted under this article must be prepared and used in the form and in the manner approved by the state board of accounts.

Sec. 2. The department shall establish a schedule for regularly providing information to affected taxing units, county boards, and county auditors concerning the following:

(1) The amount of tax collections.

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(2) The status of pending tax assessments, including information concerning proposed assessments and potential refunds.

(3) The amount of refunds made to taxpayers.

(4) Transfers in and out of a tax area's account that are made to correct errors in the apportionment of taxes among tax areas.

(5) Other information that is necessary for the fiscal officer of a taxing unit to verify the amount of tax revenue that will be available to the taxing unit.

Sec. 3. The department may enter into a confidentiality agreement with taxing units to share information with the taxing unit under the terms determined by the department.

Sec. 4. The department, after reviewing the recommendations of the budget agency, shall establish a schedule to regularly provide revenue forecasts to county auditors, county boards, and taxing units.

Sec. 5. The department shall conduct a program to provide employers and taxpayers with adequate information for the employer or taxpayer to determine the:

(1) total tax rate that applies to a particular tax area; and

(2) tax area where taxpayers have an obligation to pay tax.

Chapter 8. Anticipation Loans

Sec. 1. A fiscal body for a taxing unit (by ordinance, if the taxing unit is a county, city, or town, or otherwise by resolution) may enter into temporary loans to meet the current running expenses of the taxing unit in anticipation of and not in excess of taxes imposed for a budget year.

Sec. 2. Temporary loans under this chapter must be evidenced by tax anticipation warrants of the taxing unit.

Sec. 3. An ordinance or resolution authorizing the issuance of tax anticipation warrants must:

(1) state the total amount of the issue;

(2) state the denomination of the warrants;

(3) state the date, time, and place payable;

(4) state the rate of interest;

(5) state the funds and revenues in anticipation of which the warrants are issued and out of which they are payable; and

(6) appropriate and pledge a sufficient amount of those revenues to the punctual payment of the warrants.

Sec. 4. Tax anticipation warrants issued under this chapter may be of a term that extends to any date after the close of a particular

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1 budget year on which taxes imposed for the budget year are
2 reasonably expected to be collected.

3 Sec. 5. Tax anticipation warrants issued under this chapter are
4 exempt from taxation for all purposes.

5 Chapter 9. Bonds

6 Sec. 1. Notwithstanding any other law, if a taxing unit desires to
7 issue obligations or enter into leases, payable wholly or in part
8 from taxes, the obligations of the taxing unit or any lessor may be
9 sold at public sale in accordance with IC 5-1-11 or at negotiated
10 sale.

11 Sec. 2. A pledge of tax revenues under this article is enforceable
12 in accordance with IC 5-1-14.

13 Sec. 3. With respect to obligations for which a pledge has been
14 made under this article, the general assembly covenants with the
15 taxing unit and the purchasers or owners of those obligations that
16 this article will not be repealed or amended in any manner that will
17 adversely affect the tax collected under this article as long as the
18 principal of or interest on those obligations is unpaid.

19 Chapter 10. Rainy Day Fund

20 Sec. 1. A rainy day fund is established in each taxing unit that
21 has not established a rainy day fund under IC 36-1-8-5.1. The
22 balance of a rainy day fund does not revert at the end of a budget
23 year to any other fund.

24 Sec. 2. An amount shall be annually budgeted and raised from
25 taxes equal to the amount necessary to establish or maintain a
26 balance in each taxing unit's rainy day fund equal to five percent
27 (5%) of the amount distributed to the taxing unit under this article
28 in the immediately preceding year.

29 Sec. 3. A taxing unit shall deposit the amount received from
30 taxes under section 2 of this chapter in the taxing unit's rainy day
31 fund. In addition, tax revenues distributed for a budget year in
32 excess of the taxing unit's budget to be funded from taxes shall be
33 deposited in the taxing unit's rainy day fund.

34 Sec. 4. The amount in a rainy day fund on the date in each
35 budget year specified by the department of local government
36 finance that exceeds five percent (5%) of the amount distributed to
37 the taxing unit under this article in the immediately preceding year
38 shall be used in the following budget year to maintain lower tax
39 rates in the new budget year than would otherwise apply if the
40 excess rainy day fund balance was not available.

41 Sec. 5. In addition to the uses permitted under IC 36-1-8-5.1,
42 money in a taxing unit's rainy day fund may be used to:

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(1) make up a shortfall in estimated revenue under this article or IC 6-1.1; or

(2) provide a temporary loan to a fund for a budget year in anticipation of the collection of tax revenue for the budget year after the close of the budget year.

SECTION 48. IC 12-19-1.5-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 12. This chapter expires January 1, 2012.**

SECTION 49. IC 14-23-3-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3. ~~Annually~~ **(a) Before January 1, 2009**, there shall ~~annually~~ be levied, ~~and collected~~ as other ~~state ad valorem property~~ taxes are levied, ~~and collected~~ the amount of sixteen hundredths of one cent (\$0.0016) upon each one hundred dollars (\$100) worth of taxable property in Indiana.

(b) The ad valorem property tax imposed under this section shall be collected as other ad valorem property taxes are collected. The county in which the property tax is levied shall transfer the amounts collected from the levy to the treasurer of state for deposit in the fund.

(c) The money collected resulting from one hundred fifty-seven thousandths of one cent (\$0.00157) of the rate shall be paid into the fund. The money collected resulting from three thousandths of one cent (\$0.00003) is appropriated to the budget agency for purposes of department of local government finance data base management.

(d) A property tax may not be levied under this section after December 31, 2008.

SECTION 50. IC 15-1.5-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3. (a) The fund consists of the following:

(1) Revenue from the property tax imposed under IC 15-1.5-8 **before January 1, 2009.**

(2) Appropriations made by the general assembly.

(3) Interest accruing from investment of money in the fund.

(4) Certain proceeds from the operation of the fair.

(b) The fund is divided into the following accounts:

(1) Agricultural fair revolving contingency account.

(2) Other accounts established by the commission.

(c) The money credited to the agricultural fair revolving contingency account may only be used to pay start-up expenses for the fair each year. Money used to pay the start-up expenses from the account shall be replaced using proceeds from the operation of the fair

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before the proceeds may be used for any other purpose.

SECTION 51. IC 15-1.5-8-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 1. A tax is imposed upon all the taxable property in the state at a rate of eight hundredths of a cent (\$0.0008) for each one hundred dollars (\$100) of assessed valuation **only for property taxes first due and payable before January 1, 2009.**

SECTION 52. IC 15-1.5-8-5 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: **Sec. 5. This chapter expires January 1, 2009.**

SECTION 53. IC 36-1-2-7, AS AMENDED BY P.L.227-2005, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 7. "Fiscal officer" means:

- (1) auditor, for a county not having a consolidated city;
- (2) controller, for a:
 - (A) consolidated city;
 - (B) county having a consolidated city, except as otherwise provided; or
 - (C) second class city;
- (3) clerk-treasurer, for a third class city;
- (4) clerk-treasurer, for a town; or
- (5) trustee, for a township;
- (6) treasurer, for a school corporation; or**
- (7) individual authorized as the fiscal officer by law or the political subdivision's fiscal body, for any other political subdivision.**

SECTION 54. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2008]: IC 6-1.1-17-8.5; IC 6-1.1-17-9; IC 6-1.1-17-10; IC 6-1.1-17-13; IC 6-1.1-17-14; IC 6-1.1-17-15; IC 6-1.1-17-16; IC 6-1.1-29-1; IC 6-1.1-29-2; IC 6-1.1-29-5.

SECTION 55. [EFFECTIVE UPON PASSAGE] (a) **IC 1-1-5-1 applies to the expiration of IC 14-23-3-3 and IC 15-1.5-8, both as amended by this act. Liability and penalties for delinquent tax payments for a property tax imposed under IC 14-23-3-3 or IC 15-1.5-8 before January 1, 2009, are not extinguished as a result of the expiration of these provisions under this act. Delinquent property taxes collected after December 31, 2011, from a property tax imposed under IC 14-23-3-3 or IC 15-1.5-8 before January 1, 2010, shall be deposited and used after December 31, 2011, as provided in IC 14-23-3-3 or IC 15-1.5-8, both as effective December 30, 2008.**

(b) The department of local government finance shall, without

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1 charge, assist county boards of tax and projects review with their
2 statutory duties.

3 (c) Notwithstanding any law, IC 6-1.1-18.5-12, IC 6-1.1-18.5-13,
4 and any other law permitting an appeal to the department of local
5 government finance to authorize an excessive levy for a budget
6 year beginning after December 31, 2008, are void.

7 (d) On January 31, 2008, the unencumbered balance of the
8 property tax replacement fund is transferred to the state general
9 fund.

10 SECTION 55. [EFFECTIVE JULY 1, 2008] (a) The legislative
11 services agency shall prepare legislation for introduction in the
12 2009 regular session of the general assembly to correct statutes
13 affected by this act.

14 (b) This SECTION expires July 1, 2009.

15 SECTION 56. An emergency is declared for this act.

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